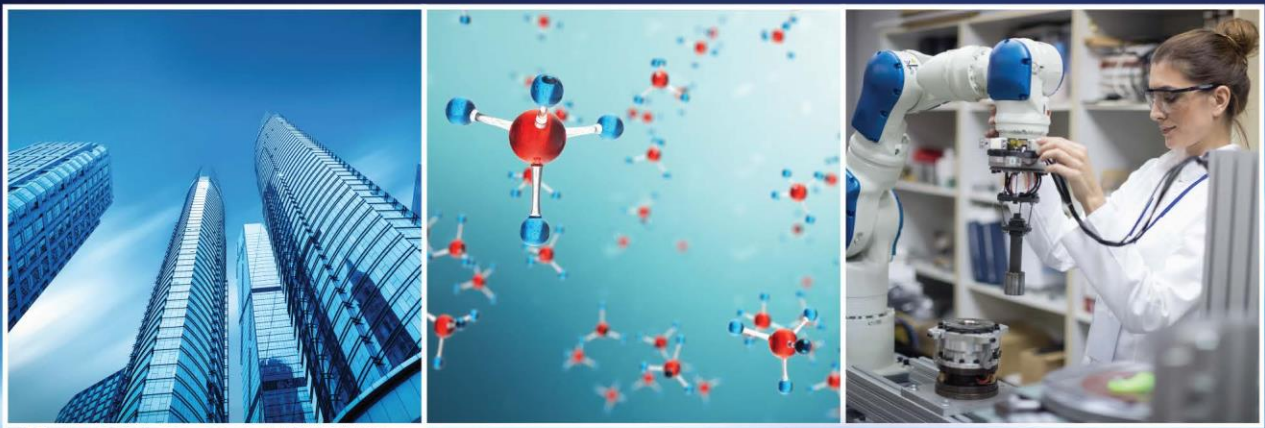

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

OF THE JASTRZĘBSKA SPÓŁKA WĘGLOWA S.A. GROUP

for the period of 6 months ended 30 June 2020

TABLE OF CONTENTS

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	For the 3-month period ended 30 June 2020	For the 6-month period ended 30 June 2020	For the 3-month period ended 30 June 2019	For the 6-month period ended 30 June 2019
Sales revenues	4.1	1,487.7	3,453.7	2,208.8	4,696.9
Cost of products, materials and goods sold	4.2	(1,681.0)	(3,532.8)	(1,808.7)	(3,571.4)
GROSS PROFIT/(LOSS) ON SALES		**(193.3)**	**(79.1)**	**400.1**	**1,125.5**
Selling and distribution expenses	4.2	(62.5)	(138.0)	(62.3)	(130.7)
Administrative expenses	4.2	(175.1)	(346.5)	(185.6)	(339.1)
Other revenues		28.1	54.6	29.5	55.2
Other costs	4.3	(534.8)	(557.7)	(20.1)	(35.5)
Other net gains/(losses)	4.4	49.1	(55.6)	26.6	20.4
OPERATING PROFIT/(LOSS)		**(888.5)**	**(1,122.3)**	**188.2**	**695.8**
Financial income		1.2	6.1	4.5	17.1
Financial costs		(44.6)	(69.9)	(17.4)	(33.0)
Share in profits/(losses) of associates		0.1	0.1	-	0.1
PROFIT/(LOSS) BEFORE TAX		**(931.8)**	**(1,186.0)**	**175.3**	**680.0**
Income tax	5.1	166.9	212.2	(37.6)	(132.5)
NET PROFIT/(LOSS)		**(764.9)**	**(973.8)**	**137.7**	**547.5**
Other comprehensive income to be reclassified to profit or loss:					
Movement in the value of hedges	7.11.2	51.3	(11.2)	12.1	7.9
Income tax	5.1	(9.8)	2.1	(2.3)	(1.5)
Other comprehensive income not to be reclassified to profit or loss:					
Actuarial gains/(losses)		(12.9)	(13.0)	-	-
Income tax		2.4	2.4	-	-
TOTAL OTHER COMPREHENSIVE INCOME		**31.0**	**(19.7)**	**9.8**	**6.4**
TOTAL COMPREHENSIVE INCOME		**(733.9)**	**(993.5)**	**147.5**	**553.9**
Net profit/(loss) attributable to:					
- shareholders of the Parent Company		(765.4)	(977.3)	133.3	536.2
- non-controlling interest		0.5	3.5	4.4	11.3
Total comprehensive income attributable to:					
- shareholders of the Parent Company		(734.4)	(997.0)	143.1	542.6
- non-controlling interest		0.5	3.5	4.4	11.3
Basic and diluted earnings/(loss) per share attributable to shareholders of the Parent Company (in PLN per share)	4.5	-	(8.32)	-	4.57

The notes to these interim condensed consolidated financial statements form an integral part hereof.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7.1	8,544.3	8,672.3
Goodwill		57.0	57.0
Intangible assets	7.2	121.9	117.3
Investment property		23.6	23.9
Right-of-use asset	7.3	606.6	618.3
Investments in associates		1.1	1.2
Deferred tax assets		756.4	525.0
Investments in the FIZ asset portfolio	7.5	776.2	1,174.0
Other non-current financial assets	7.6	377.7	376.1
TOTAL NON-CURRENT ASSETS		**11,264.8**	**11,565.1**
CURRENT ASSETS			
Inventories	7.7	1,083.4	1,130.8
Trade and other receivables	7.8	938.0	866.1
Income tax overpaid		2.8	162.8
Financial derivatives		17.9	60.5
Investments in the FIZ asset portfolio	7.5	100.8	700.0
Other current financial assets	7.9	5.2	90.8
Cash and cash equivalents	7.10	506.0	350.3
TOTAL CURRENT ASSETS		**2,654.1**	**3,361.3**
TOTAL ASSETS		**13,918.9**	**14,926.4**

The notes to these interim condensed consolidated financial statements form an integral part hereof.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	30 June 2020	31 December 2019
EQUITY			
Share capital	7.11.1	1,251.9	1,251.9
Share premium account		905.0	905.0
Capital on revaluation of financial instruments	7.11.2	(29.7)	(20.6)
Retained earnings		5,338.9	6,326.9
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**7,466.1**	**8,463.2**
NON-CONTROLLING INTEREST		**391.8**	**388.3**
TOTAL EQUITY		**7,857.9**	**8,851.5**
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	6.2	777.6	333.3
Deferred tax liabilities		19.8	22.5
Employee benefit liabilities	7.12	861.3	832.5
Provisions	7.13	864.5	866.9
Lease liabilities	6.3	417.7	406.7
Trade and other liabilities	7.14	121.8	118.9
TOTAL NON-CURRENT LIABILITIES		**3,062.7**	**2,580.8**
CURRENT LIABILITIES			
Loans and borrowings	6.2	41.2	25.8
Financial derivatives		15.2	1.3
Current income tax liabilities		2.7	6.3
Employee benefit liabilities	7.12	229.7	172.2
Provisions	7.13	277.1	300.3
Lease liabilities	6.3	217.3	206.4
Trade and other liabilities	7.14	2,215.1	2,781.8
TOTAL CURRENT LIABILITIES		**2,998.3**	**3,494.1**
TOTAL LIABILITIES		**6,061.0**	**6,074.9**
TOTAL EQUITY AND LIABILITIES		**13,918.9**	**14,926.4**

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Parent Company						
	Share capital	Share premium account	Capital on revaluation of financial instruments	Retained earnings	Total	Non-controlling interest	Total equity
AS AT 1 JANUARY 2020	**1,251.9**	**905.0**	**(20.6)**	**6,326.9**	**8,463.2**	**388.3**	**8,851.5**
Total comprehensive income:	-	-	(9.1)	(987.9)	(997.0)	3.5	(993.5)
- net profit/(loss)	-	-	-	(977.3)	(977.3)	3.5	(973.8)
- other comprehensive income	-	-	(9.1)	(10.6)	(19.7)	-	(19.7)
Other	-	-	-	(0.1)	(0.1)	-	(0.1)
AS AT 30 JUNE 2020	**1,251.9**	**905.0**	**(29.7)**	**5,338.9**	**7,466.1**	**391.8**	**7,857.9**
BALANCE AS AT 1 JANUARY 2019	**1,251.9**	**905.0**	**(52.1)**	**5,976.6**	**8,081.4**	**364.0**	**8,445.4**
Total comprehensive income:	-	-	6.4	536.2	542.6	11.3	553.9
- net profit	-	-	-	536.2	536.2	11.3	547.5
- other comprehensive income	-	-	6.4	-	6.4	-	6.4
Transactions with non-controlling interest	-	-	-	-	-	4.1	4.1
Other	-	-	-	(0.4)	(0.4)	-	(0.4)
AS AT 30 JUNE 2019	**1,251.9**	**905.0**	**(45.7)**	**6,512.4**	**8,623.6**	**379.4**	**9,003.0**

The notes to these interim condensed consolidated financial statements form an integral part hereof.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the 6-month period ended 30 June 2020	For the 6-month period ended 30 June 2019
CASH FLOW ON OPERATING ACTIVITY			
Cash from operating activities	8.1	(42.1)	1,330.1
Interest paid		(3.4)	(9.2)
Movement in financial derivatives*		-	(20.8)
Income tax (paid)/refunds received		139.1	(328.7)
NET CASH FLOW ON OPERATING ACTIVITY		**93.6**	**971.4**
CASH FLOW ON INVESTING ACTIVITY			
Acquisition of property, plant and equipment		(1,238.9)	(1,193.2)
Acquisition of intangible assets		(4.9)	(6.5)
Acquisition of businesses (PBSz)		-	(170.9)
Acquisition of financial assets		(5.1)	-
Proceeds on the sale of property, plant and equipment		1.2	12.2
Sale of financial assets		985.4	1.3
Dividends received		-	0.1
Interest received		3.3	10.8
NET CASH FLOW ON INVESTING ACTIVITY		**(259.0)**	**(1,346.2)**
CASH FLOW ON FINANCING ACTIVITY			
Loans and borrowings received		477.2	200.7
Subsidies received		4.6	-
Repayment of loans and borrowings	6.4	(36.2)	(16.5)
Redemption of debt securities		-	(121.0)
Payments related to leases	6.4	(91.3)	(24.8)
Interest paid in financing activity **		(33.3)	(8.3)
Other net cash flow on financing activity		-	(0.9)
NET CASH FLOW ON FINANCING ACTIVITY		**321.0**	**29.2**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**155.6**	**(345.6)**
Cash and cash equivalents at the beginning of the period		350.3	1,650.8
Exchange differences on translation of cash and cash equivalents		0.1	(1.0)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.10	**506.0**	**1,304.2**

** In the statement of cash flows for the period of 6 months ended 30 June 2020, this item is presented in cash inflows from operating activity.*
*** In the statement of cash flows for the period of 6 months ended 30 June 2020, this item also includes interest paid on leases.*

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

ADDITIONAL INFORMATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BACKGROUND

1.1. NAME, REGISTERED OFFICE AND LINE OF BUSINESS

The Jastrzębska Spółka Węglowa S.A. Group ("Group") is comprised of Jastrzębska Spółka Węglowa S.A. ("JSW", "Parent Company") and its Poland-based subsidiaries.

Key information about the Parent Company

NAME	Jastrzębska Spółka Węglowa S.A.
REGISTERED OFFICE	Aleja Jana Pawła II 4, 44-330 Jastrzębie-Zdrój
KRS	0000072093 – District Court in Gliwice, 10th Commercial Division of the National Court Register
REGON	271747631
NIP	633 000 51 10
LINE OF BUSINESS	Mining, enrichment and sale of hard coal and sale of coke and hydrocarbons

According to the Articles of Association, the Parent Company may operate in the territory of the Republic of Poland and abroad. The duration of JSW is unspecified. The Parent Company's shares have been traded publicly since 6 July 2011.

The Jastrzębska Spółka Węglowa S.A. Group is the largest producer of metallurgical (coking) coal and a significant producer of coke in the European Union. For years, it has held the key position on the Polish and European market for metallurgical (coking) coal and coke, due to the high quality metallurgical (coking) coal it produces and due to its location in proximity to its main customers. The Group also mines steam coal.

1.2. COMPOSITION OF THE GROUP

As at 30 June 2020, the Group consisted of: JSW S.A. as the Parent Company and its direct and indirect subsidiaries located in the territory of Poland. The subsidiaries are consolidated by the full method.

As at 30 June 2020, JSW held, directly or indirectly, shares in 20 related companies, including:
- 19 subsidiaries (direct or indirect),
- 1 associated company.

JSW Stabilization Closed-end Investment Fund was also consolidated.

The investment in the associate (Remkoks Sp. z o.o.) is recognized in the interim condensed consolidated financial statements by the equity method.

Information on companies comprising the Group and consolidated by the full method is provided below:

No.	Company name	Registered office	Line of business	Percentage of share capital held by Group companies	
				30 June 2020	31 December 2019
	Parent company				
1.	Jastrzębska Spółka Węglowa S.A. ("JSW")	Jastrzębie-Zdrój	Hard coal mining and sales, sales of coke and hydrocarbons.	not applicable	
	Direct subsidiaries				
2.	JSW KOKS S.A. ("JSW KOKS")	Zabrze	Production of coke and hydrocarbons	96.28%	96.28%

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

No.	Company name	Registered office	Line of business	Percentage of share capital held by Group companies	
				30 June 2020	31 December 2019
3.	Jastrzębskie Zakłady Remontowe Sp. z o.o. („JZR")	Jastrzębie-Zdrój	Service activity pertaining to renovation of machinery and equipment, production of machinery for mining, quarrying and construction	62.09%	62.09%
4.	Przedsiębiorstwo Budowy Szybów S.A. ("PBSz")	Tarnowskie Góry	Specialized mining services: designing and execution of vertical and horizontal mine workings and tunnels, construction services, architectural and engineering services, lease of machinery and equipment, assembly, repairs and upkeep of machinery for the mining, quarrying and construction industries.	95.01%	95.01%
5.	JSW Innowacje S.A. ("JSW Innowacje")	Katowice	The JSW Group's research and development activity, feasibility studies and oversight over execution of projects and implementations.	100.00%	100.00%
6.	Przedsiębiorstwo Gospodarki Wodnej i Rekultywacji S.A. ("PGWiR")	Jastrzębie-Zdrój	Provision of water and sewerage services, treatment and discharge of salt waters, supply of industrial water for the coal and power sector plants, reclamation activity, production of salt	100.00%	100.00%
7.	Centralne Laboratorium Pomiarowo –Badawcze Sp. z o.o. ("CLP-B")	Jastrzębie-Zdrój	Technical research services, chemical and physiochemical analyses of minerals, and solid, liquid and gaseous materials and products	99.92%	99.92%
8.	Jastrzębska Spółka Kolejowa Sp. z o.o. ("JSK")	Jastrzębie-Zdrój	Provision of railway lines, maintenance of railway infrastructure structures and equipment, construction and repair of railway tracks and facilities	100.00%	100.00%
9.	JSW IT Systems Sp. z o.o. ("JSW IT Systems")	Jastrzębie-Zdrój	Consulting with respect to computer hardware; activities related to software and data processing	100.00%	100.00%
10.	JSU Sp. z o.o. ("JSU")	Jastrzębie-Zdrój	Insurance intermediation and insurance administration pertaining to insurance claims handling, provision of tourist and hotel services	100.00%	100.00%
11.	JSW Logistics Sp. z o. o. ("JSW Logistics")	Katowice	Rail siding services, transportation of coal and coke, organizing the carriage of cargo and technical maintenance and repair of rail vehicles	100.00%	100.00%
12.	JSW Szkolenie i Górnictwo Sp. z o.o. ("JSW SiG")	Jastrzębie-Zdrój	Mining support activity and operating the shower room in JSW's mines	100.00%	100.00%
13.	JSW Shipping Sp. z o. o. ("JSW SHIPPING")	Gdynia	Marine freight forwarding and marine transport agency services	100.00%	100.00%
	Indirect subsidiaries				
14.	BTS Sp. z o.o. ("BTS")	Dąbrowa Górnicza	Transportation and general construction services	100.00%	100.00%
15.	ZREM-BUD Sp. z o.o. ("ZREM-BUD")	Dąbrowa Górnicza	Manufacture of spare parts, assemblies and devices, steel structures, technical equipment, tools and instruments; mechanic and electric repairs and maintenance of automation technology. Provision of renovation and construction services	100.00%	100.00%
16.	CARBOTRANS Sp. z o.o. ("Carbotrans")	Zabrze	Road transport of goods, mainly hydrocarbons and raw materials for their production	100.00%	100.00%
17.	JZR Dźwigi Sp. z o.o. ("JZR Dźwigi")	Jastrzębie-Zdrój	Services related to production, upgrade, renovation, upkeep, inspection and repairs of material handling equipment.	84.97%	84.97%
18.	JSW Ochrona Sp. z o.o. ("JSW Ochrona")	Jastrzębie-Zdrój	Security services, auxiliary services related to maintaining order in buildings	100.00%	100.00%
19.	Hawk-e Sp. z o.o. ("Hawk-e")	Katowice	Provision of services using drones for commercial purposes	100.00%	100.00%
20.	JSW Zwałowanie i Rekultywacja Sp. z o.o. ("JSW Zwałowanie i Rekultywacja")	Jastrzębie-Zdrój	Provision of post-mining waste disposal and reclamation services.	100.00%	100.00%

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

No.	Company name	Registered office	Line of business	Percentage of share capital held by Group companies	
				30 June 2020	31 December 2019
	Other entities				
21.	JSW Stabilizacyjny Fundusz Inwestycyjny Zamknięty ("JSW Stabilization FIZ")*	Warsaw	The Fund's only line of business is investment of cash raised through private proposals to purchase Investment Certificates, in the securities, Money Market Instruments and other property rights as specified in the Articles of Association.	100.00%	100.00%

* Percentage share determined based on the percentage exposure of the Parent Company to the Fund's investment certificates

CHANGES IN EQUITY RELATIONS IN H1 2020

- *JSK's share capital increase*

On 30 March 2020, the Extraordinary Shareholder Meeting of JSK adopted a resolution to increase the JSK's share capital from PLN 108.7 million to PLN 132.1 million, i.e. by PLN 23.4 million, by way of issuing 46,818 new shares with the par value of PLN 500.00 each, which were all subscribed by JSW. The increased share capital of the company was covered by a contribution-in-kind, including an ownership title and perpetual usufruct right to property and an ownership title to fixed assets in the form of JSW's railway infrastructure in the area of the Szczygłowice Section of KWK Knurów-Szczygłowice. JSW took up the above shares on 15 April 2020. The JSK's share capital increase was registered in the National Court Register on 10 October 2020. The transaction will have no effect on the Group's interim condensed consolidated financial statements.

2. ACCOUNTING POLICIES

2.1. GROUNDS FOR PREPARATION OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group have been drawn up in compliance with International Accounting Standard 34 "Interim Financial Reporting". These interim condensed consolidated financial statements are a fair presentation of the Group's financial standing and its assets as at 30 June 2020, its operating results and cash flows for the 6-month period ended 30 June 2020.

The interim condensed consolidated financial statements do not include all the information and disclosures required for annual consolidated financial statements and they should be read jointly with the Group's consolidated financial statements prepared in accordance with IFRS for the financial year ended 31 December 2019.

These interim condensed consolidated financial statements have been drawn up in accordance with the historical cost principle, except for financial derivatives, investments in the FIZ assets portfolio, interests in other entities and energy efficiency certificates (white certificates) that are measured at fair value.

The interim condensed consolidated financial statements for the period of 6 months ended 30 June 2020 were reviewed by a statutory auditor.

These interim condensed consolidated financial statements form part of the consolidated report which also includes the interim condensed consolidated financial statements of Jastrzębska Spółka Węglowa S.A. for the period of 6 months ended 30 June 2020 and the Management Board report on the activity of the Jastrzębska Spółka Węglowa S.A. Group for the period of 6 months ended 30 June 2020.

2.2. GOING CONCERN ASSUMPTION

These interim condensed consolidated financial statements have been prepared based on the assumption that the Company would continue as a going concern in an unchanged form and scope for at least 12 months of the final date of the reporting period.

Significant changes in the market environment and the economic and financial system both in Poland and across the world, caused by the situation resulting from the dissemination of the SARS-CoV-2 coronavirus, affect the Group's operational and financial standing. These unusual circumstances have prompted the Group to analyze the situation and the degree of the Group's exposure to the effects of the pandemic on an ongoing basis as well as to take actions to reduce the risks stemming from the disruption of business continuity. Note 9.3 presents the measures taken to secure the risk of losing liquidity.

As at the date of approval of these interim condensed consolidated financial statements, no material uncertainties or circumstances (including the events described in Note 10.4) have been identified as indicating a threat to business continuity in the foreseeable future.

Assets and liabilities are posted in the interim condensed consolidated statement of financial position based on the assumption that the Group will be able to obtain economic benefits from the assets and fulfill its obligations in the ordinary course of business. The propagation of SARS-CoV-2 coronavirus has affected a change in the value of assets. The tests carried out by the Group have shown impairment of the carrying amount of assets of KWK Jastrzębie-Bzie. Details of the impairment allowance are presented in Note 6.4.

2.3. NEW STANDARDS, INTERPRETATIONS AND THEIR AMENDMENTS

The accounting rules (policies) applied to draw up these interim condensed consolidated financial statements are consistent with those applied to draw up the Group's consolidated financial statements for the financial year ended 31 December 2019, save for the changes ensuing from the application of new standards as described below. Changes to the accounting rules are presented in Note 7.4.

a) Standards and interpretations applied for the first time in 2020

Since 1 January 2020, the Group has been applying cash flow hedge accounting in accordance with the requirements of IFRS 9.
According to IFRS 9 (paragraph 7.2.24), hedging relationships that qualified for hedge accounting in accordance with IAS 39 that meet all the requirements for hedge accounting under IFRS 9, after taking into account any rebalancing of the hedging relationship on transition, are regarded as continuing hedging relationships.

When applying hedge accounting requirements in accordance with IFRS 9 for the first time, the hedge ratio value calculated in accordance with IAS 39 is used as the reference value for making decisions on the possible actions to rebalance the hedge ratio (IFRS 9: 7.2.25(b)). Rebalancing involves adjustment of the amount of the hedging instrument or hedged item in response to changes in external factors (in particular economic) affecting the effectiveness of the hedging relationship. Any gain or loss from such a rebalancing is recognized in profit or loss.

In accordance with paragraph 7.2.24 of IFRS 9, the Group continues the hedging relationships designated before the first application of hedge accounting provisions presented in IFRS 9. The Group considered the changes resulting from transition of the new standard as insignificant.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

The changes listed below, which are in effect from 1 January 2020, are not related to the Group's business or have no material effect on the interim condensed consolidated financial statements:

- Amendments to references to the IFRS Framework,
- Amendments to IFRS 9, IAS 39 and IFRS 7 in respect to the reference rate,
- IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors",
- Amendments to IFRS 3 "Business Combinations".

b) Standards and interpretations already published and endorsed in the EU, but not yet effective

When approving these interim condensed consolidated financial statements, the Group did not choose an early application of standards, amendments to standards and interpretations that were published and endorsed for application in the European Union ("EU") but have not as yet become effective. The Group will apply the standards, amendments to standards and interpretations that are applicable to its operations from the time they take force.

c) Standards and interpretations adopted by IASB but not yet endorsed in the EU

IFRS as approved by the EU do not currently differ materially from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, amendments to standards and interpretations, which as at the date of these interim condensed consolidated financial statements have not yet been adopted for application.

The standards and interpretations do not pertain to the Group's operations or will not exert a material impact on the consolidated financial statements.

Standard	Effective date *
Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – sales or contributions of assets between an investor and its associate or joint venture.	Endorsement of this amendment has been deferred by the EU.
Amendments to IFRS 16 Leases	1 June 2020
Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 "Financial Instruments"	1 January 2021
Amendments to IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and Annual Improvements to IFRS 2018-2020	1 January 2022
IFRS 17 "Insurance Contracts"	1 January 2023
Amendments to IAS 1 "Presentation of Financial Statements" – Classification of liabilities as current or non-current	1 January 2023

** Annual periods beginning on or after the respective date, as specified by the International Accounting Standards Board, are subject to change after their approval by the EU.*

The Group intends to apply the above standards that are applicable to its operations from the time they take force.

2.4. CHANGES IN ACCOUNTING POLICIES

Since 1 January 2020, the Group has been applying cash flow hedge accounting in accordance with the requirements of IFRS 9. The purpose of hedging cash flows is to defer profits or losses on a hedging instrument to the period or periods, in which the hedged expected future cash flows do affect profits or losses.

The application of cash flow hedge accounting makes it possible to post the effective part of the hedge to other comprehensive income, which in effect is accumulated in capital, which leads to matching the impact on the financial result of hedge instruments measurement and the pursuit of the hedged position.

The Group applies hedge accounting to hedging relationships that meet the qualifying criteria in accordance with the requirements of IFRS 9 and for which the Group has decided to designate the hedging relationship.

The hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument,
- the effect of credit risk does not dominate the value changes that result from that economic relationship,
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Gains or losses on the changing fair value of the cash flow hedge instrument are recognized in other comprehensive income in the part constituting effective hedge, while any ineffective portion of the hedge is recognized in the profit or loss of the current period.

The effective part captured in other comprehensive income is posted to profit or loss in the same period in which the hedged position affects profit or loss.

The Group ceases to apply the cash flow hedge accounting principles if:

- the hedging instrument expires, is sold, terminated or exercised, or
- the purpose of risk management for the relationship changes, or
- the hedge no longer meets the hedge accounting criteria and the execution of the scheduled transaction has ceased to be expected.

2.5. SEASONALITY INFORMATION

The Group's business activity is not of a seasonal nature; therefore, the presented results are not subject to major fluctuations during the year.

2.6. MATERIAL CHANGES IN REPORTING ITEMS, AMOUNTS WITH SIGNIFICANT IMPACT ON ASSETS, LIABILITIES, EQUITY, NET FINANCIAL RESULT OR CASH FLOWS, WHICH ARE NOT TYPICAL DUE TO THEIR TYPE, SIZE, IMPACT OR FREQUENCY

Any material changes in reporting items after the end of the most recent annual reporting period, i.e. 2019, are presented in the main parts of these interim condensed consolidated financial statements supplemented with additional information included in individual notes.

Description of changes in material reporting items and factors affecting the financial results achieved in the reporting period is presented in the Management Board Report on the activity of the Jastrzębska Spółka Węglowa S.A. Group for the period of 6 months ended 30 June 2020 in Section 6.

2.7. CHANGES IN ESTIMATES

Preparation of the interim condensed consolidated financial statements in accordance with IAS 34 requires the use of some significant accounting estimates. It also requires the Management Board to exercise its judgment in the application of the accounting principles adopted by the Group. The assumptions and estimates result from past experiences and other factors, including anticipated future events that seem reasonable in the current situation. Accounting estimations and judgments are subject to regular evaluation.

In Q1 2020, there were no significant changes of estimates and the estimation methodology that could affect the current period. On the other hand, in Q2 2020, changes related to the economic effects of COVID-19 were observed that affected the values of the estimates and the methodology of such estimates for future periods. These changes include an adjustment to expected credit losses related to a change in ratings of counterparties related to coal and coke receivables and the risk of debt collection from those counterparties in connection with the current economic situation and the future forecasts, which was described in Note 10.4. The overall effects and their scale are difficult to estimate at this moment. What will matter is the duration of the epidemic, its intensity and scope.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

3. NOTES TO THE OPERATING SEGMENTS

3.1. OPERATING SEGMENTS

The JSW Management Board is the corporate body that makes the key decisions in the Group. The measure of the financial results generated by the Group's distinct operating segments analyzed by the Management Board of the Parent Company is the segment's operating profit/loss determined according to IFRS. Revenues from transactions with external entities are measured in a manner consistent with the method applied for consolidated financial result. Revenues from transactions between segments are eliminated in the consolidation process. Sales between segments are conducted on an arm's length basis. According to the principles applied by the Management Board of the Parent Company to evaluate operating results of the respective segments, revenues and margins are recognized in segmental results at the moment a sale is made outside of the segment. Financial income and expenses are not included in the financial result of the various segments.

SEGMENT-SPECIFIC INFORMATION FOR REPORTING PURPOSES:

	Coal	Coke	Other segments *	Consolidation adjustments **	Total
FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2020					
Total segment sales revenues	**2,820.4**	**1,511.8**	**712.1**	**(1,590.6)**	**3,453.7**
- Revenues on inter-segment sales	1,068.2	-	522.4	(1,590.6)	-
- Sales revenues from external customers	1,752.2	1,511.8	189.7	-	3,453.7
Segment's gross profit/(loss) on sales	**(154.8)**	**46.9**	**90.8**	**(62.0)**	**(79.1)**
Segment's operating profit/(loss)	**(1,067.8)**	**(75.3)**	**48.3**	**(27.5)**	**(1,122.3)**
Depreciation and amortization	(466.1)	(52.7)	(62.2)	35.0	(546.0)

	Coal	Coke	Other segments *	Consolidation adjustments **	Total
FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2019					
Total segment sales revenues	**4,252.0**	**2,070.8**	**569.5**	**(2,195.4)**	**4,696.9**
- Revenues on inter-segment sales	1,759.8	-	435.6	(2,195.4)	-
- Sales revenues from external customers	2,492.2	2,070.8	133.9	-	4,696.9
Segment's gross profit/(loss) on sales	**883.1**	**241.1**	**88.0**	**(86.7)**	**1,125.5**
Segment's operating profit/(loss)	**524.8**	**137.9**	**51.9**	**(18.8)**	**695.8**
Depreciation and amortization	(405.8)	(51.0)	(41.9)	23.4	(475.3)

* *No operations classified in "Other segments" meet the aggregation criteria and quantitative thresholds defined by IFRS 8 Operating Segments, to be accounted for as a separate operating segment*

** *The "Consolidation adjustments" column eliminates the effects of intra-segment transactions within the Group*

Presented below is reconciliation of the results (operating profit/(loss)) generated by the segments with pre-tax profit/(loss).

	For the period of 6 months ended 30 June	
	2020	2019
OPERATING PROFIT/(LOSS)	**(1,122.3)**	**695.8**
Financial income	6.1	17.1
Financial costs	(69.9)	(33.0)
Share in profits/(losses) of associates	0.1	0.1
PROFIT/(LOSS) BEFORE TAX	**(1,186.0)**	**680.0**

The notes to these interim condensed consolidated financial statements form an integral part hereof.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

4. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

4.1. SALES REVENUES

	For the period of 3 months ended 30 June 2020	For the period of 6 months ended 30 June 2020	For the period of 3 months ended 30 June 2019	For the period of 6 months ended 30 June 2019
Sales of coal	834.1	1,752.2	1,172.7	2,492.2
Sales of coke	528.6	1,403.1	890.1	1,917.9
Sales of hydrocarbons	35.5	108.7	79.1	152.9
Other business	89.5	189.7	66.9	133.9
TOTAL SALES REVENUES	**1,487.7**	**3,453.7**	**2,208.8**	**4,696.9**

4.2. COSTS BY NATURE

	For the period of 3 months ended 30 June 2020	For the period of 6 months ended 30 June 2020	For the period of 3 months ended 30 June 2019	For the period of 6 months ended 30 June 2019
Depreciation and amortization	261.7	546.0	254.1	475.3
Consumption of materials and energy, of which:	341.6	768.3	443.6	849.7
- consumption of materials	*246.9*	*568.6*	*339.4*	*633.4*
- consumption of energy	*94.7*	*199.7*	*104.2*	*216.3*
External services	355.3	784.1	419.0	854.4
Employee benefits	1,071.4	2,193.7	1,199.8	2,215.2
Taxes and fees	49.3	99.7	45.2	89.6
Other costs by nature	17.5	30.6	26.8	43.7
Cost of materials and goods sold	7.2	12.4	16.6	25.9
TOTAL COSTS BY NATURE	**2,104.0**	**4,434.8**	**2,405.1**	**4,553.8**
Selling and distribution expenses	(62.5)	(138.0)	(62.3)	(130.7)
Administrative expenses	(175.1)	(346.5)	(185.6)	(339.1)
Cost of performances and property, plant and equipment produced for own use and expensable mining pits	(281.5)	(495.3)	(176.9)	(346.5)
Movement in products	96.1	77.8	(171.6)	(166.1)
COST OF PRODUCTS, MATERIALS AND GOODS SOLD	**1,681.0**	**3,532.8**	**1,808.7**	**3,571.4**

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

4.3. OTHER COSTS

	Note	For the period of 3 months ended 30 June 2020	For the period of 6 months ended 30 June 2020	For the period of 3 months ended 30 June 2019	For the period of 6 months ended 30 June 2019
Impairment loss on property, plant and equipment, intangible assets and right-of-use assets	7.4	430.9	430.9	-	-
Costs incurred in connection with the COVID-19 pandemic		73.8	73.8	-	-
Interest		8.9	23.3	11.8	21.1
Donations		0.8	1.9	0.7	1.3
Enforcement fees and penalties		0.7	1.3	0.7	1.4
Investment property costs		0.2	0.5	0.3	0.5
Recognition of an impairment loss for interest receivables		0.5	1.6	0.5	1.6
Recognition of impairment losses on other financial assets		0.6	1.0	1.0	2.2
Other		18.4	23.4	5.1	7.4
TOTAL OTHER COSTS		**534.8**	**557.7**	**20.1**	**35.5**

4.4. OTHER NET GAINS/(LOSSES)

	For the period of 3 months ended 30 June 2020	For the period of 6 months ended 30 June 2020	For the period of 3 months ended 30 June 2019	For the period of 6 months ended 30 June 2019
Gains/(losses) on the disposal of property, plant and equipment	0.7	(3.5)	(0.7)	(19.0)
FX gains and losses	(5.2)	13.3	(5.9)	(3.7)
Gains/(losses) on financial derivatives	45.1	(62.6)	15.0	17.9
Gains/(losses) on investment certificates	8.5	(2.8)	18.2	25.2
TOTAL OTHER NET GAINS/(LOSSES)	**49.1**	**(55.6)**	**26.6**	**20.4**

4.5. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

Basic earnings/(loss) per share are calculated as the quotient of earnings/(loss) attributable to shareholders of the Parent Company and the weighted average number of ordinary shares during the reporting period.

Diluted earnings/(loss) per share

Diluted earnings/(loss) per share are calculated by adjusting the weighted average number of common shares in a manner allowing for a potential complete conversion into common shares causing dilution. The Parent Company has no instruments that would cause dilution of the potential common shares. Accordingly, diluted earnings/(loss) per share are equal to the basic earnings/(loss) per share of the Parent Company.

	For the period of 6 months ended 30 June	
	2020	**2019**
Net profit /(loss) attributable to the Parent Company's shareholders	(977.3)	536.2
Weighted average number of common shares	117,411,596	117,411,596
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE (IN PLN PER SHARE)	**(8.32)**	**4.57**

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

5. EXPLANATORY NOTES PERTAINING TO TAX

5.1. INCOME TAX

Income tax captured in net profit/(loss):

	For the period of 6 months ended 30 June	
	2020	**2019**
Current tax:	17.1	124.3
- current tax liability	16.5	124.3
– adjustments posted in the current period relating to tax from the previous years	0.6	-
Deferred tax	(229.3)	8.2
TOTAL INCOME TAX CAPTURED IN NET PROFIT/(LOSS)	**(212.2)**	**132.5**

Income tax captured in other comprehensive income

	For the period of 6 months ended 30 June	
	2020	**2019**
Deferred tax:		
– actuarial gains/(losses)	(2.4)	-
– change in the value of hedges	(2.1)	1.5
TOTAL INCOME TAX CAPTURED IN OTHER COMPREHENSIVE INCOME	**(4.5)**	**1.5**

Income tax in these interim condensed consolidated financial statements is calculated at the actual effective tax rate of 17.9%.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

6. EXPLANATORY NOTES PERTAINING TO DEBT

6.1. LIABILITIES RELATED TO DEBT

	Note	30 June 2020	31 December 2019
Loans and borrowings	6.2	818.8	359.1
Lease liabilities	6.3	635.0	613.1
TOTAL		**1,453.8**	**972.2**
including:			
long-term		1,195.3	740.0
short-term		258.5	232.2

6.2. LOANS AND BORROWINGS

	30 June 2020	31 December 2019
LONG-TERM:	**777.6**	**333.3**
Bank loans	633.5	179.9
Borrowings	144.1	153.4
SHORT-TERM:	**41.2**	**25.8**
Bank loans	25.4	14.8
Borrowings	15.8	11.0
TOTAL	**818.8**	**359.1**

The Group has at its disposal the following unused credit facilities:

	30 June 2020	31 December 2019
Unused credit facilities	40.8	260.7

The fair value of loans and borrowings is not significantly different from their carrying amount.

FINANCE CONTRACT WITH CONSORTIUM

On 9 April 2019, a finance contract was entered into by and between the Parent Company and Agencja Rozwoju Przemysłu S.A., Bank Gospodarstwa Krajowego, Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A. ("PKO BP") and ICBC (Europe) S.A. Branch in Poland ("Consortium"). This financing was granted in the form of:

1) a term loan in the amount of PLN 100.0 million,
2) term loans facilities A and C in the USD equivalent of PLN 300.0 million,
3) renewable loan B in the amount of PLN 360.0 million.

The financing is planned for a maximum term of 7 years, however the financing in the form of the revolving loan has been set for 5 years with the possibility of extending it by up to 2 years.

The obtained funds are to focus, among others, on financing the Group's investments, other general corporate needs of the Group, and financing the JSW's acquisition of a 95.01% stake in Przedsiębiorstwo Budowy Szybów S.A.

IN REFERENCE TO 1

On 28 June 2019, the term loan in the amount of PLN 100.0 million was disbursed. The loan will be repaid in quarterly installments of PLN 4.8 million starting from June 2021. The loan is denominated in Polish zloty. The loan bears interest at a floating interest rate. The carrying amount of the loan as at 30 June 2020 is PLN 99.5 million.

IN REFERENCE TO 2

On 16 May 2019, part of term loan C to finance the Parent Company's acquisition of a 95.01% stake in Przedsiębiorstwo Budowy Szybów S.A. was drawn in the amount of USD 26.0 million. The loan will be repaid quarterly, starting from December 2019. The loan bears interest at a floating interest rate. The carrying amount of the loan as at 30 June 2020 is PLN 91.6 million.

As at 3 January 2020, term loan A was drawn down in the amount of USD 52.4 million. The loan will be repaid quarterly, starting from June 2021. The loan bears interest at a floating interest rate. The carrying amount of the loan as at 30 June 2020 is PLN 207.2 million.

IN REFERENCE TO 3

On 11 December 2019, part of the renewable loan was drawn down in the amount of PLN 100.0 million. On 3 January 2020, the remaining portion of the renewable loan in the amount of PLN 260.0 million was drawn down. The loan bears interest at a floating interest rate. The carrying amount of the loan as at 30 June 2020 is PLN 360.0 million.

The financing agreement with the Consortium imposes a number of covenants on the Parent Company and other Group companies. According to contractual clauses, the total share of EBITDA of guarantors (JSW KOKS) and the Parent Company in the Group's total EBITDA must be no less than 85%. According to the Group's preliminary estimates as at 30 June 2020, the above covenant will not be satisfied. If the ratio drops below the required level, the Parent Company must ensure, within 60 days of delivery of a compliance certificate, that another Group entity accepted by the lenders become an additional guarantor. This is discussed in detail in Note 9.3.

FINANCE CONTRACT WITH THE EUROPEAN INVESTMENT BANK

On 9 April 2019, a finance contract was entered into by and between JSW, its subsidiary JSW KOKS and the European Investment Bank ("EIB") with its registered office in Luxembourg. This financing was granted in the form of a term facility in the amount of EUR 58.5 million. Both JSW and JSW KOKS may take out financing on this account. The contract did not specify the proportions, in which the financing will be divided between JSW and JSW KOKS.

The borrowers have the option of drawing the loan in EUR or, subject to availability, in USD or PLN. The facility amortization term is 8 years from its origination, while the contract permits its early repayment. The beneficiaries of the facility awarded by EIB with the support of the European Fund for Strategic Investments intend to use the funds obtained to conduct a project involving the modernization of a coking plant and investments to generate energy using coke oven gas and methane obtained from a hard coal mine.

The collateral of the finance agreements with the Consortium and the EIB is shared based on the *pari passu* principle:

1) Registered pledges up to the highest collateral amount of PLN 690.0 million, USD 117.8 million and EUR 87.8 million established in favor of PKO BP as the pledge administrator on the following:
   - movable assets of Knurów-Szczygłowice OPE, Pniówek OPE, Zofiówka OPE, Bzie-Dębina OPE,
   - shares held by JSW in JSW KOKS and PBSz,
   - JSW's bank accounts.
2) Joint contractual mortgages established in favor of PKO BP as the mortgage administrator up to PLN 690.0 million and up to USD 117.8 million and in favor of EIB up to EUR 87.8 million on real properties owned or held in perpetual usufruct by JSW, comprising organized parts of JSW's enterprise in the form of Knurów-Szczygłowice OPE, Pniówek OPE, Zofiówka OPE, Bzie-Dębina OPE.
3) Sureties extended to the Consortium by JSW KOKS up to PLN 690.0 million and USD 117.8 million.
4) Assignment of receivables under a commercial agreement and receivables under insurance agreements effected under the assignment agreement of 9 April 2019 governed by Polish law, entered into by and between JSW as the assignor and PKO BP as the assignee.

The finance contract with the EIB imposes a number of covenants on the Parent Company and other Group companies. According to the contract, the total share of EBITDA of the obligors (JSW and JSW KOKS) in the Group's total EBITDA must not drop below 85%. According to the Group's preliminary estimates as at 30 June 2020, the above covenant will not be satisfied. If the ratio drops below the required level, the Parent Company must ensure, within 60 days of delivery of a compliance certificate, that another Group entity accepted by the EIB become an additional guarantor. This is discussed in detail in Note 9.3.

PREFERENTIAL LOAN AGREEMENT WITH NFOŚIGW

On 9 December 2019, a preferential loan was partly released in the amount of PLN 36.9 million by the subsidiary JSW KOKS from the National Fund for Environmental Protection and Water Management in Warsaw, which was granted in the amount of PLN 134.0 million as part of the Operational Programme Infrastructure and Environment for the implementation of a project titled "Improvement of Energy Efficiency at JSW KOKS" related to the construction of a power unit in the Radlin Coking Plant. The loan was granted at an interest rate of 0%. Due to delays in project work caused by changes in the schedule of the General Contractor for the Investment, the transferred funds were not used. In accordance with §4 of the Regulation of the Minister of Development and Finance of 7 December 2017 on advance payments under programs financed with the participation of European funds (Journal of Laws of 2017, item 2367), the unused tranche of the loan in the amount of PLN 22.8 million was returned on 5 March 2020 and the previously calculated preferential interest rate on the loan was adjusted. On 9 June 2020, the loan tranche in the amount of PLN 22.8 million was drawn down. Accordingly, as at 30 June 2020, the loan was valued at PLN 29.5 million. The difference is the preferential interest rate of PLN 7.4 million.

The loan will be amortized quarterly, starting from September 2022.

According to the agreement, the loan is secured by a PLN 167.5 million mortgage on real estate, an assignment of rights from the insurance policy and a blank promissory note with a promissory note declaration.

MULTI-PURPOSE FACILITY AGREEMENT WITH BGK

On 23 January 2020, the subsidiary PBSz and Bank Gospodarstwa Krajowego signed a multi-purpose overdraft facility agreement in the amount of PLN 20.0 million. In accordance with the signed agreement, PBSz may use the granted limit in the form of:

- a current account overdraft up to the full amount of the limit, and
- bank guarantees cumulatively up to the maximum exposure amount of PLN 5.0 million.

The total exposure in respect of all products must not exceed the limit amount of PLN 20.0 million.

In accordance with the agreement, the multi-purpose facility will be secured by:

1) a mortgage on real property in the amount of PLN 30.0 million and an assignment of rights under an insurance policy,
2) an assignment of receivables under the agreement.

MULTI-PURPOSE OVERDRAFT AGREEMENT WITH PKO BP S.A.

On 17 February 2020, the subsidiary PBSz and PKO BP S.A. signed a multi-purpose overdraft facility agreement in the amount of PLN 20.0 million. In accordance with the signed agreement, PBSz may use the granted limit in the form of:

- a current account overdraft up to PLN 15.0 million, and
- bank guarantees cumulatively up to the maximum exposure amount of PLN 5.0 million.

In accordance with the agreement, the multi-purpose overdraft facility is secured by:

1) a mortgage on real property in the amount of PLN 30.0 million and an assignment of rights under an insurance policy,
2) an assignment of receivables under the agreement.

LOAN FROM THE VOIVODSHIP FUND FOR ENVIRONMENTAL PROTECTION AND WATER MANAGEMENT IN KATOWICE

In connection with the partial repayment by the Parent Company of the loan from the Voivodship Fund for Environmental Protection and Water Management in Katowice, on 20 March 2020 the lender agreed for a partial release of the loan repayment collateral in the form of an assignment of receivables from a term deposit account, which, after the change, amounts to PLN 5.1 million. The carrying amount of the loan as at 30 June 2020 is PLN 4.0 million.

OTHER COLLATERAL FOR LOANS AND BORROWINGS

(in addition to the collateral described above):

- mortgage on real properties in the amount of PLN 56.3 million,
- registered pledges on movable assets of PLN 56.3 million,
- assignments of receivables under bank agreements/accounts,

If the loans and borrowings are secured with non-current assets then additional security is provided in the form of an assignment of rights under insurance agreements for these assets. Blank promissory notes with a promissory note declaration are another form of security used to secure liabilities under contracted loans and borrowings.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

6.3. LEASE LIABILITIES

	30 June 2020	31 December 2019
LEASE LIABILITIES		
Lease liabilities	635.0	613.1
TOTAL	**635.0**	**613.1**
including:		
long-term	417.7	406.7
short-term	217.3	206.4

In its measurement of lease liabilities, the Group includes variable lease payments associated with reference interest rates.

The subsidiary PBSz has an unused lease limit of PLN 7.0 million granted by PEKAO LEASING Sp. z o.o. with its registered office in Warsaw.

In the period of 6 months ended 30 June 2020, as part of the master agreement to grant a lease limit of PLN 34.5 million with PEKAO LEASING Sp. z o.o., JZR signed sale and leaseback agreements. The subject matter of the agreements included machinery and equipment and means of transportation with total worth of PLN 2.9 million. The purchase and sale transactions pertaining to those assets had no effect on JZR's financial result due to the fact that the sale and leaseback were made at the same amount.

In connection with the entry into force, on 1 April 2020, of the *Act of 31 March 2020 on amending the act on special solutions associated with preventing, counteracting and combating COVID-19, other infectious diseases and crisis situations they precipitate and certain other acts*, the Group has taken advantage of the implemented support solutions permitting an extension of payment due dates for perpetual usufruct of land, as discussed in detail in Note 10.4.

6.4. RECONCILIATION OF DEBT

The table below depicts the movement in debt as at 30 June 2020:

	Loans and borrowings	Liabilities lease receivables	TOTAL
AS AT 1 JANUARY 2020	**359.1**	**613.1**	**972.2**
Proceeds from drawing down debt:	481.8	113.6	595.4
- received financing	*481.8*	-	*481.8*
- new lease agreements signed, including new components under existing contracts and their update	-	*113.6*	*113.6*
Accrued interest	16.1	17.0	33.1
Debt-related payments:	(52.2)	(109.1)	(161.3)
- repayment of debt (principal)	*(36.2)*	*(91.3)*	*(127.5)*
- interest paid	*(16.0)*	*(17.8)*	*(33.8)*
FX gains and losses	14.1	0.3	14.4
Other increases / (decreases)	(0.1)	0.1	-
AS AT 30 JUNE 2020	**818.8**	**635.0**	**1,453.8**

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

The table below depicts the movement in debt as at 31 December 2019:

	Loans and borrowings	Liabilities under debt securities issued	Lease liabilities	TOTAL
BALANCE AS AT 1 JANUARY 2019 (audited data)	**70.0**	**121.0**	**40.3**	**231.3**
Impact of implementing IFRS 16 as of 1 January 2019	-	-	341.7	341.7
BALANCE AS AT 1 JANUARY 2019 (restated data)	**70.0**	**121.0**	**382.0**	**573.0**
Proceeds from drawing down debt:	328.7	-	312.9	641.6
- received financing	*328.7*	-	-	*328.7*
- new lease agreements signed	-	-	*312.9*	*312.9*
Accrued interest	15.4	0.3	23.2	38.9
Debt-related payments:	(52.6)	(121.3)	(140.6)	(314.5)
- repayment of debt (principal)	*(37.2)*	-	*(121.4)*	*(158.6)*
- bond redemption	-	*(121.0)*	-	*(121.0)*
- interest paid	*(15.4)*	*(0.3)*	*(19.2)*	*(34.9)*
Acquisition of businesses (PBSz)	-	-	25.1	25.1
FX gains and losses	(1.2)	-	0.1	(1.1)
Other increases / (decreases)	(1.2)	-	10.4	9.2
BALANCE AS AT 31 DECEMBER 2019	**359.1**	**-**	**613.1**	**972.2**

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

7. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

7.1. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020	31 December 2019
Land	49.6	47.3
Buildings and structures	3,717.4	3,973.7
Expensable mining pits	1,108.7	996.3
Technical equipment and machinery	2,534.9	2,286.1
Other property, plant and equipment	120.0	119.0
Property, plant and equipment under construction	1,013.7	1,249.9
TOTAL PROPERTY, PLANT AND EQUIPMENT	**8,544.3**	**8,672.3**

	For the period of 6 months ended 30 June 2020	For the period of 12 months ended 31 December 2019	For the period of 6 months ended 30 June 2019
Gross amount at the beginning of the period	18,926.3	17,521.5	17,521.5
Accumulated depreciation at the beginning of the period *	(10,254.0)	(10,218.5)	(10,218.5)
Net book value at the beginning of the period (audited data)	**8,672.3**	**7,303.0**	**7,303.0**
Reclassifications as at 1 January 2019 (IFRS 16)	-	(51.6)	(51.6)
Net book value at the beginning of the period (restated data)	**8,672.3**	**7,251.4**	**7,251.4**
Increases	740.1	2,046.4	744.0
Change in the provision for mine closure costs	-	68.9	-
Acquisition of businesses (PBSz)	-	72.0	66.1
Decreases	(13.6)	(101.9)	(32.0)
Depreciation and amortization	(444.9)	(859.2)	(417.7)
Impairment loss - recognition	(412.6)	-	-
Impairment loss - reversal	3.0	194.7	3.0
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**8,544.3**	**8,672.3**	**7,614.8**

* *This item includes accumulated depreciation and impairment losses for property, plant and equipment*

7.2. INTANGIBLE ASSETS

	30 June 2020	31 December 2019
Geologic information	11.6	15.4
Other intangible assets	110.3	101.9
TOTAL INTANGIBLE ASSETS	**121.9**	**117.3**

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

	For the period of 6 months ended 30 June 2020	For the period of 12 months ended 31 December 2019	For the period of 6 months ended 30 June 2019
Initial (gross) value at the beginning of the period	211.3	234.4	234.4
Accumulated amortization at the beginning of the period*	(94.0)	(103.6)	(103.6)
Net book value at the beginning of the period (audited data)	**117.3**	**130.8**	**130.8**
Reclassifications as at 1 January 2019 (IFRS 16)	-	(75.3)	(75.3)
Net book value at the beginning of the period (restated data)	**117.3**	**55.5**	**55.5**
Increases **	17.6	37.2	14.0
Acquisition of businesses (PBSz)	-	36.1	1.1
Decreases	(4.6)	(0.7)	-
Depreciation and amortization	(4.5)	(10.8)	(4.9)
Impairment loss	(3.9)	-	-
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**121.9**	**117.3**	**65.7**

* *This item includes accumulated amortization and impairment losses on intangible assets*

** *This item also includes the value of certificates of origin of energy*

CERTIFICATES OF ORIGIN

In intangible assets, the Parent Company recognizes certificates of origin of energy purchased to fulfill the obligation to redeem them as required by the Energy Law regulations. Due to their special character, expenditures for the purchase of certificates of origin of energy were included in the consolidated statement of cash flows, as cash flows on operating activity.

The change in the value of certificates of origin is presented below:

	30 June 2020	31 December 2019
Net book value at the beginning of the period	37.4	11.8
Increases	10.2	25.6
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**47.6**	**37.4**

7.3. RIGHT-OF-USE ASSET

	30 June 2020	31 December 2019
Land	14.7	14.4
Buildings and structures	14.2	19.0
Technical equipment and machinery	355.7	361.4
Other property, plant and equipment	34.4	35.2
Perpetual usufruct right to land	187.6	188.3
TOTAL RIGHT-OF-USE ASSETS	**606.6**	**618.3**

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

	For the period of 6 months ended 30 June 2020	For the period of 12 months ended 31 December 2019	For the period of 6 months ended 30 June 2019
Initial (gross) value at the beginning of the period	882.3	538.1	508.0
Accumulated amortization at the beginning of the period*	(264.0)	(115.1)	(69.5)
Net book value at the beginning of the period, including:	**618.3**	**423.0**	**438.5**
impact of IFRS 16 as at 1 January 2019	-	*296.1*	*311.6*
reclassifications as at 1 January 2019 (IFRS 16)	-	*126.9*	*126.9*
Increases	115.3	327.9	59.9
Acquisition of businesses (PBSz)	-	44.3	6.2
Depreciation and amortization	(96.3)	(163.2)	(52.3)
Decreases	(17.3)	(14.4)	(9.7)
Impairment loss - recognition	(14.4)	-	-
Impairment loss - reversal	1.0	0.7	-
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**606.6**	**618.3**	**442.6**

** This item includes accumulated amortization and impairment losses of the right-of-use assets*

The amount of short-term lease payments accounted as costs in the interim condensed consolidated statement of profit or loss and other comprehensive income for the period of 6 months ended 30 June 2020 is PLN 2.0 million, while the cost of lease for low-value contracts is PLN 0.3 million.

7.4. IMPAIRMENT OF NON-FINANCIAL NON-CURRENT ASSETS

IMPAIRMENT LOSSES

COAL SEGMENT

Because of the volatile macroeconomic environment, the Group regularly reviews the indications that may suggest a decline in the recoverable amount of the assets in the respective Group companies. Impairment of non-current assets is analyzed by estimating the recoverable amounts of cash-generating units (CGUs). Such analysis is based on a number of significant assumptions, some of which are beyond the Group's control. Significant changes in these assumptions affect the results of impairment tests and, as a consequence, may lead to significant changes in the Group's financial standing and financial performance.

In the current reporting period, the Group analyzed the main signs of impairment of the carrying amount of assets under IAS 36 Impairment of Assets, in order to verify whether any further impairment of assets may have occurred or a reversal of any of the losses recognized previously.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

The table below depicts movements in impairment losses for non-current assets:

	30 June 2020				31 December 2019			
	Property, plant and equipment	Intangible assets	Right-of-use assets	TOTAL	Property, plant and equipment	Intangible assets	Right-of-use assets	TOTAL
OPENING BALANCE (audited data)	**3,630.9**	**2.3**	**62.2**	**3,695.4**	**3,929.4**	**6.3**	**-**	**3,935.7**
Reclassifications as at 1 January 2019 (IFRS 16)	-	-	-	-	(14.0)	(4.0)	18.0	-
Impact of IFRS 16 as at 1 January 2019	-	-	-	-	-	-	45.6	45.6
OPENING BALANCE (restated data)	**3,630.9**	**2.3**	**62.2**	**3,695.4**	**3,915.4**	**2.3**	**63.6**	**3,981.3**
Impairment loss recognized	412.6	3.9	14.4	430.9	-	-	-	-
Reclassification of impairment losses on right-of-use assets to impairment losses on property, plant and equipment	9.6	-	(9.6)	-	-	-	-	-
Impairment loss used	(38.0)	-	(2.5)	(40.5)	(89.6)	-	(0.7)	(90.3)
Impairment loss reversed	(3.0)	-	(1.0)	(4.0)	(194.7)	-	(0.7)	(195.4)
Reclassification of the impairment loss for assets to accumulated depreciation	(0.7)	-	-	(0.7)	(0.2)	-	-	(0.2)
CLOSING BALANCE	**4,011.4**	**6.2**	**63.5**	**4,081.1**	**3,630.9**	**2.3**	**62.2**	**3,695.4**

Grounds leading to impairment

Property, plant and equipment is the biggest item of JSW's assets. The rise of SARS-CoV-2 coronavirus in China in 2019 and its dynamic propagation across the globe in 2020 was identified as a factor that could have materially contributed to the change in the value of assets.

The coronavirus pandemic caused a drop in raw material prices, froze the economies through closures of production plants and commercial establishments, which contributed significantly to the loss of a portion of revenue and future profitability and may also cause difficulties in raising the funding.

Outside of China, the spread of the coronavirus has currently eliminated steel production capacity of 252.0 million tons (annually), which represents 10% of the total global steel production capacity. The reduction of steel production capacity in Europe in blast furnaces (through shutdowns and production reductions) is about 35.0 million tons, which represents 27% of the installed production capacity in blast furnaces. According to CRU, 17 blast furnaces have shut down in Europe with the total production capacity of 26.8 million tons, while production has been reduced in 7 additional furnaces, i.e. in ArcelorMittal (Eisenhüttenstadt), SSAB, ThyssenKrupp (Duisburg), Tata Steel (Ijmuiden, Port Talbot), Saarstahl (Dilliger Hütte).

Impairment of non-current assets

The emergence of the SARS-CoV-2 coronavirus has been identified as an external factor contributing to the reduction in prices of steam coal and metallurgical (coking) coal and a decrease in market interest rates, as well as the need to adjust investment plans. Accordingly, an impairment test had to be carried out for:

- KWK Jastrzębie-Bzie (the CGU was created as at 1 January 2020).

The impairment tests were carried out per CGU by determining their recoverable amount. Determination of fair value for very large asset groups with no active market and very few comparable transactions is in practice subject to a large estimation error. In the case of entire mines for which the value in the local market needs to be determined, there are no observable fair values. Consequently, the recoverable amount of the analyzed assets must be determined on the basis of estimation of their value in use using the method of net discounted cash flows on the basis of the financial projections prepared for 2021-2025.

The assumed economic useful life of the Jastrzębie-Bzie mine goes beyond 2025, hence the residual value has been determined on the basis of the remaining period of use. Adoption of five-year financial projections is justified due to the fact that in the current economic situation there are no reliable data for the next reporting periods due to significant volatility of different types of factors, such as: prices, inflation rates, exchange rates and interest rates.

Assumptions made

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

The impairment test has been calculated on the basis of the JSW Financial Model.

Below we present the assumptions made for the calculations of the impairment test as at 30 June 2020:

- useful life of the KWK Jastrzębie-Bzie Mine until 31 December 2084,
- coal price forecasts for the 2021-2025 period were based on the average coal price in the CRU report for 2021-2024,
- the headcount is to be maintained as assumed in the JSW Strategy for 2020-2030,
- the level of capital expenditures was adapted to the levels guaranteeing stable production in the future,
- cash flows from investing activities were adjusted for lease expenditures, while taking into account the right-of-use assets in the value of the tested assets,
- the impairment analysis was determined on the basis of the latest economic data prepared in real terms and using the average weighted average cost of capital (WACC) in the projection period at a level of 5.95%,
- financing of expenditures for mine closure from the Mine Closure Fund (FLZG),
- the existing provisions for employee benefits and other provisions ascribed to the given mine were taken into account in order to measure the value of the tested assets.

Test results

The results of the tests carried out by JSW pointed to impairment of the carrying amount of assets of the "Jastrzębie-Bzie" Coal Mine, in the amount of PLN 430.9 million. The estimates were calculated in accordance with the provisions of IAS 36.

Sensitivity analysis

The results of the sensitivity analysis carried out for individual cash generating units have shown that the biggest impact on the value in use of the tested assets was caused primarily by changes in coal prices, changes in the average weighted cost of capital and changes in the production level. Presented below are the estimated changes in the recoverable amount resulting from the most significant changes for the entity affected by the impairment loss on non-current assets as at 30 June 2020. The changes will not change the impairment amount because the recoverable amount remains negative.

KWK Jastrzębie-Bzie

Parameter	Change	Impact on recoverable amount (PLN million)
Change of coal price for the entire forecast period	1%	89.8
	-1%	(89.8)
Change of discount rate	0.5 p.p.	7.4
	-0.5 p.p.	(7.4)
Change of production level for the entire forecast period	1%	70.4
	-1%	(70.4)

COKE SEGMENT

According to the Group's estimations, the impact of COVID on the coke segment does not seem to have long-term effects. After the slump in Q2 2020, demand for JSW KOKS' products is expected to pick up in early 2021, allowing it to increase utilization of its production capacity and increase sales volumes. At the same time, the ratio of coke prices to coal prices, which is favorable to JSW KOKS, should be maintained in the long term.

Accordingly, as at the final day of the reporting period, no grounds were found for carrying out an impairment test for JSW KOKS' assets.

7.5. INVESTMENTS IN THE FIZ ASSET PORTFOLIO

In the 6-month period ended 30 June 2020, the Group continues to maintain investments in a portfolio of financial assets through the Fund in which the Parent Company holds 100% outstanding investment certificates.

The carrying amount of investments in the FIZ asset portfolio as at 30 June 2020 was PLN 877.0 million, while it was PLN 1,874.0 million as at 31 December 2019.

The funds invested in the FIZ asset portfolio are an important element of the "Cash Buffer", i.e. the obligation resulting from financing contracts signed with the Consortium and with the EIB. The threshold level of cash defined in the above-mentioned contracts as at 30 June 2020 was at least PLN 960.0 million.

The Fund may invest its assets in:

- debt securities,

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

- money market instruments,
- currencies,
- derivatives, including non-standardized derivatives, provided that they are negotiable,
- deposits in banks.

The basic criterion for selecting the investments is the possibility of earning as high as possible rate of return, while minimizing the risk associated with the issuer's insolvency, interest rate volatility and limited liquidity risk.

On 28 May 2020, the Investor Meeting of the JSW Stabilization Closed-end Investment Fund adopted a resolution to amend the articles of association of FIZ. The changes affected mainly the investment policy, among others extension of the category of treasury instruments issuers, increase of the permitted maturity of money market bank debt instruments.

Rules for diversifying investments:

1. Money market securities or instruments issued by a single entity, accounts receivable from that entity and participations in that entity cannot constitute a total of more than 20% (twenty percent) of the Fund's asset value. The limitation does not apply to securities issued, guaranteed or secured by the State Treasury, the National Bank of Poland, OECD member states or any international financial institutions of which the Republic of Poland is a member or at least one of the OECD member states.
2. Bonds guaranteed or secured by the State Treasury may represent up to 100% of the Fund's asset value.
3. Bonds of the European Investment Bank may represent up to 20% of the Fund's asset value.
4. Deposits in a single domestic bank, foreign bank or credit institution must not account for more than 20% of the Fund's asset value.
5. Currency exposure – construed as the total value of investments in foreign currencies and other types of investment denominated in foreign currencies, must not exceed 10% of the Fund's net asset value.
6. Corporate bonds or local government bonds will jointly account for no more than 10% of the Fund's net asset value, while bonds issued by a single entity must not represent more than 1% of the Fund's net asset value.
7. Debt securities and money market instruments issued by banks will jointly account for no more than 25% of the Fund's net asset value, it being understood that, for the purposes of application of this limit, debt securities and money market instruments issued by Bank Gospodarstwa Krajowego will not be classified as debt securities or money market instruments issued by banks. The share of a single issuer must not exceed 5% of the net asset value (while for covered bonds the share of a single issuer must not exceed 10% of the net asset value).
8. Debt securities and money market instruments issued by Bank Gospodarstwa Krajowego will represent no more than 20% of the net asset value.

The following table presents the structure of the Fund's net assets at the end of the reporting period.

	30 June 2020	31 December 2019
Financial assets at fair value through profit or loss	**756.8**	**892.8**
Covered bonds (not quoted on an active market)	50.4	204.0
Debt securities, of which:	706.4	688.8
- bonds	*706.4*	*688.8*
Liabilities	**(32.7)**	**(26.2)**
Derivative instruments (non-standardized derivatives – interest rate swap (IRS) in PLN)	(32.5)	(10.1)
Fund's liabilities	(0.2)	(16.1)
Financial assets measured at amortized cost	**152.9**	**1,007.4**
Deposits	107.3	661.8
Buy-sell-back transactions	-	272.9
Cash and cash equivalents	45.6	72.6
Fund's receivables	-	0.1
TOTAL	**877.0**	**1,874.0**

For financial assets measured at fair value through profit or loss (debt securities, covered bonds), there is no active market and in their case the Group also cannot apply the valuation techniques resulting in reliable values. Accordingly, the value received from the Fund's manager based on information received from the custodian is deemed to be its fair value.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

In H1 2020 JSW decided to redeem the investment certificates presented in the consolidated financial statements as investments in the JSW Stabilization FIZ asset portfolio in series A and series B investment certificates in the amount of approx. PLN 1,100.0 million.

In connection with resolution of the JSW Management Board adopted on 8 January 2020 and approval of the JSW Supervisory Board of 13 January 2020, the Investment Certificates of the JSW Stabilization Closed-end Investment Fund (FIZ) were redeemed in the amount of PLN 400.0 million for series A and PLN 300.0 million for series B. On 26 February 2020, the Parent Company's bank account was credited with the funds in the amount of PLN 300.7 million and on 3 April 2020 the amount of PLN 391.7 million.

In connection with resolution of the JSW Management Board adopted on 29 April 2020 and approval of the JSW Supervisory Board from the same date, the Investment Certificates of the JSW Stabilization Closed-end Investment Fund (FIZ) were redeemed in the total estimated amount of PLN 400.0 million for series A and series B. On 19 June 2020, the Parent Company's bank account was credited with the funds in the amount of PLN 200.9 million and on 3 July 2020 the amount of PLN 100.8 million.

Further redemptions of investment certificates will be made in August 2020, implementing the decisions already made. The planned receipt of the funds in the amount of PLN 100.0 million is expected in September 2020.

The monies obtained from the redemption of investment certificates are used for the Group's current operations as well as for its investment activity.

Credit risk

In the case of financial assets measured at amortized cost (i.e. deposits and cash and cash equivalents), the Group classifies them as Stage 1 in terms of impairment because of the high rating of their credit quality and the potential impairment allowance is not significant and it was not recognized.

Credit risk	**30 June 2020**	**31 December 2019**
Amounts reflecting the maximum exposure to credit risk if the fair value of additional collateral is not taken into account:	**909.7**	**1,900.2**
- Cash in bank	45.6	72.6
- Investment components quoted on an active market (State Treasury bonds)	319.9	283.7
- Buy-Sell-Back Transactions	-	272.9
- Receivables	-	0.1
- Investment components not quoted on an active market	544.2	1,270.9

The table does not include the Fund's liabilities and therefore it does not reconcile with the table presenting the structure of the Fund's net assets at the end of the reporting period.

Significant concentration of credit risk is 10% of the issuer's share in total assets.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

Credit risk	30 June 2020	31 December 2019
Instances of significant concentration of credit risk in individual investment categories, by balance sheet categories	**705.8**	**1,021.0**
SANTANDER BANK POLSKA SA	33.0	369.7
Cash	*33.0*	*19.7*
Deposits	*-*	*294.2*
Bonds not quoted on an active market	*-*	*55.8*
BANK GOSPODARSTWA KRAJOWEGO	188.2	-
Bonds quoted on an active market	*55.9*	-
Bonds not quoted on an active market	*132.3*	-
BNP PARIBAS BANK POLSKA S.A.	107.3	367.6
Bank deposits	*107.3*	*367.6*
POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A.	113.4	-
Cash in bank	*113.4*	-
STATE TREASURY OF THE REPUBLIC OF POLAND	263.9	283.7
Bonds quoted on an active market	*263.9*	*283.7*

7.6. OTHER NON-CURRENT FINANCIAL ASSETS

	Note	30 June 2020	31 December 2019
Non-current financial assets - cash and cash equivalents of the Mine Closure Fund		352.4	351.9
gross value		*352.6*	*352.0*
impairment loss	*9.1*	*(0.2)*	*(0.1)*
Ownership interest and shares in other entities		0.1	0.1
Financial receivables	*9.1*	1.1	3.9
Other non-financial receivables		24.1	20.2
TOTAL		**377.7**	**376.1**

All the non-current financial assets are denominated in PLN. The fair value of non-current financial assets is not significantly different from their carrying amount.

7.7. INVENTORIES

	30 June 2020	31 December 2019
Materials	175.2	144.2
Production in progress	7.5	6.6
Finished products	891.9	970.6
Goods	8.8	9.4
TOTAL	**1,083.4**	**1,130.8**

The inventories of finished products as at 30 June 2020 included, among others, inventories of 2,172.4 thousand tons of coal produced by the Group worth PLN 650.5 million and inventories of 348.0 thousand tons of coke produced by the Group worth PLN 238.0 million (as at 31 December 2019: 1,789.4 thousand tons of coal worth PLN 587.9 million and 485.8 thousand tons of coke worth PLN 378.3 million).

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

IMPAIRMENT LOSSES FOR INVENTORIES

The table below presents impairment losses for inventories:

	2020	2019
AS AT 1 JANUARY	**149.0**	**25.0**
Impairment loss recognized	117.0	103.4
Impairment loss used	(67.6)	(9.5)
Reversal of charge	(0.1)	(5.3)
Acquisition of businesses (PBSz)	-	0.6
AS AT 30 JUNE	**198.3**	**114.2**

Recognition and reversal of impairment loss amounts for inventories were recognized in the financial result of the current reporting period. Impairment losses for inventories recognized in H1 2020 refer to finished products and materials and goods.

7.8. TRADE AND OTHER RECEIVABLES

	Note	30 June 2020	31 December 2019
Gross trade receivables		597.1	709.0
- including receivables on account of valuation of long-term contracts		25.7	19.2
Impairment loss	9.1	(60.6)	(80.4)
Net trade receivables		536.5	628.6
Prepaid expenses		121.5	30.7
Prepayments		8.8	3.3
Receivables related to taxes and social security		115.2	176.6
Receivables from redemption of investment certificates		100.8	-
Other receivables		55.2	26.9
TOTAL TRADE AND OTHER RECEIVABLES		**938.0**	**866.1**

The fair value of trade and other receivables is not significantly different from their carrying amount.

IMPAIRMENT LOSSES FOR RECEIVABLES

The table below depicts the changes in the impairment loss for trade receivables:

	2020	2019
AS AT 1 JANUARY	**80.4**	**79.6**
Impairment loss recognized	9.2	4.5
Acquisition of businesses (PBSz)	-	0.8
Utilization of the impairment loss for uncollectible receivables	(25.3)	(5.0)
Reversal of unused amounts	(3.2)	(4.0)
Other decreases	(0.5)	(0.2)
AS AT 30 JUNE	**60.6**	**75.7**

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

7.9. OTHER CURRENT FINANCIAL ASSETS

	30 June 2020	31 December 2019
Deposits	5.2	90.8
TOTAL OTHER CURRENT FINANCIAL ASSETS	**5.2**	**90.8**

7.10. CASH AND CASH EQUIVALENTS

	Note	30 June 2020	31 December 2019
Cash at bank and in hand		505.7	339.1
gross value		*505.8*	*339.1*
impairment loss	*9.1*	*(0.1)*	-
Short-term bank deposits		0.3	11.2
gross value		*0.3*	*11.2*
TOTAL CASH AND CASH EQUIVALENTS		**506.0**	**350.3**
including restricted cash		42.8	70.2

As at 30 June 2020, restricted cash amounted to PLN 42.8 million (PLN 70.2 million on 31 December 2019) and included cash received by JZR under an agreement with the State Treasury Minister to provide support which does not constitute public aid, designated for specific investment projects in the amount of PLN 10.3 million and funds accumulated on the VAT account (as part of the split payment mechanism) as well as bid deposits and good performance bonds.

Cash and cash equivalents are identical in the consolidated statement of cash flows and in the consolidated statement of financial position.

7.11. EQUITY

7.11.1. SHARE CAPITAL

	Number of shares (thousand)	Common shares par value	Hyperinflation adjustment	Total
As at 31 December 2019	117,412	587.0	664.9	1,251.9
As at 30 June 2020	117,412	587.0	664.9	1,251.9

As at 30 June 2020, the share capital of JSW was PLN 587,057,980.00 and was divided into 117,411,596 common shares with no voting preference, fully paid up, with a par value of PLN 5.00 each. All the shares were issued and registered as at the end date of the reporting period. The total number of votes linked to all the shares issued by JSW is 117,411,596 votes at the Shareholder Meeting of JSW.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

The Parent Company's share capital as at 30 June 2020 consists of the following share series:

Series	Number of shares
A	99,524,020
B	9,325,580
C	2,157,886
D	6,404,110
TOTAL	**117,411,596**

7.11.2. CAPITAL ON REVALUATION OF FINANCIAL INSTRUMENTS

Change in capital on revaluation of financial instruments

	30 June 2020	31 December 2019
OPENING BALANCE	**(20.6)**	**(52.1)**
Change in valuation of hedging instruments	(39.9)	10.3
Change in valuation of hedging instruments posted to profit or loss of the period if the hedged item is realized	28.7	28.6
Deferred tax	2.1	(7.4)
CLOSING BALANCE	**(29.7)**	**(20.6)**

The capital on revaluation of financial instruments includes the valuation of hedging instruments, which meet the hedge accounting criteria.

In the current reporting period, as a result of the measurement of transactions to hedge future cash flow, the amount of PLN (9.1) million was recognized in other comprehensive income, of which:

- PLN 0.3 million is the positive valuation driven by the change in fair value of the effective part of hedging instruments,
- PLN (27.2) million is the negative valuation driven by the change in fair value of the effective part of hedging instruments,
- PLN (13.0) million is the negative valuation driven by the change in fair value of the effective part of hedging instruments (loan),
- PLN 28.7 million is the value posted to the period's profit or loss if the hedged position is realized (bonds, loans and forward contracts),
- PLN (2.1) million is the tax effect of the above positions (deferred tax).

In the comparative reporting period, as a result of the measurement of transactions to hedge future cash flow, the amount of PLN 31.5 million was recognized in other comprehensive income, of which:

- PLN 15.2 million is the positive valuation driven by the change in fair value of the effective part of hedging instruments,
- PLN (6.1) million is the negative valuation driven by the change in fair value of the effective part of hedging instruments,
- PLN 1.2 million is the positive valuation driven by the change in fair value of the effective part of hedging instruments (loan),
- PLN (3.3) million is the value posted to the period's profit or loss if the hedged position is realized (FX Forward),
- PLN 31.9 million is the value posted to the period's profit or loss if the hedged position is realized (bonds, loan),
- PLN (7.4) million is the tax effect of the above items (deferred tax).

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

7.11.3. DIVIDENDS PAID AND PROPOSED

The per share dividend ratio is calculated as the quotient of the dividend payable to the shareholders of the Parent Company and the number of ordinary shares outstanding as at the dividend record date.

	For the period of 6 months ended 30 June	
	2020	**2019**
Dividends	-	-
Number of common shares as at the dividend record date	117,411,596	117,411,596
DIVIDEND PER SHARE (IN PLN PER SHARE)	**-**	**-**

Distribution of the 2018 profit

On 3 July 2019, the Ordinary Shareholder Meeting of JSW made a decision on the distribution of net profit for the financial year ended 31 December 2018 in the amount of PLN 1,418.6 million. As a result, it designated the amount of PLN 200.8 million, or PLN 1.71 per share, as a dividend for shareholders. The Ordinary Shareholder Meeting of JSW set the record date at 27 August 2019 and the dividend payment date at 10 September 2019.
The Shareholder Meeting decided to designate the remainder of the 2018 financial result in the amount of PLN 1,162.9 million (after obligatorily covering the net loss incurred in Other comprehensive income on the measurement of the employee defined benefit plans for after the employment period in the amount of PLN 53.4 million and after covering the net loss incurred on the first application date of IFRS 9 in the amount of PLN 1.5 million) to supplementary capital (shown in the statement of changes in equity in retained earnings).

Distribution of the 2019 profit

On 30 June 2020, the Ordinary Shareholder Meeting of JSW made a decision on the distribution of net profit for the financial year ended 31 December 2019 in the amount of PLN 330.4 million. With this distribution, it made an allocation to cover the net loss incurred on the first application date of IFRS 16 Leases in the amount of PLN 37.6 million and to cover the net loss incurred in Other comprehensive income in the amount of PLN 33.5 million. The Shareholder Meeting decided to allocate the remaining portion of the 2019 financial result in the amount of PLN 259.3 million, to supplementary capital.

7.12. EMPLOYEE BENEFIT LIABILITIES

	30 June 2020	**31 December 2019**
EMPLOYEE BENEFIT LIABILITIES CAPTURED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON ACCOUNT OF:		
– retirement and disability severance pays	251.0	239.0
– jubilee awards	529.6	507.8
– adjustment disability benefits	140.9	138.3
– write-offs for the Company Social Benefits Fund for old-age and disability pensioners	17.3	17.1
– other employee benefits	152.2	102.5
TOTAL	**1,091.0**	**1,004.7**
including:		
– long-term	861.3	832.5
– short-term	229.7	172.2

The amounts of employee benefit liabilities captured by JSW as at 30 June 2020 were calculated using a discount rate of 1.5%. As at 31 December 2019, the discount rate at which employee benefits were calculated, was 2.0%.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

7.13. PROVISIONS

	Property tax	Mining damage	Mine closures	Environmental fee and environmental protection	Other provisions	Total
AS AT 1 JANUARY 2020						
Long-term	-	198.8	605.9	57.3	4.9	866.9
Short-term	14.3	134.6	13.8	46.1	91.5	300.3
TOTAL	**14.3**	**333.4**	**619.7**	**103.4**	**96.4**	**1,167.2**
Recognition of additional provisions	-	29.6	-	-	5.4	35.0
Interest expenses	-	-	6.2	-	-	6.2
Reversal of unused provisions	-	(2.6)	-	-	(12.7)	(15.3)
Provisions used	-	(43.4)	(4.1)	(2.4)	(1.6)	(51.5)
AS AT 30 JUNE 2020						
Long-term	-	190.8	612.1	57.3	4.3	864.5
Short-term	14.3	126.2	9.7	43.7	83.2	277.1
TOTAL	**14.3**	**317.0**	**621.8**	**101.0**	**87.5**	**1,141.6**

MINE CLOSURES

JSW establishes a provision for future mine closure costs based on the obligations existing under the applicable law. As at 30 June 2020, the amount of the provision for mine closure costs is PLN 621.8 million. The amount of the mine closure costs is calculated on the basis of assumptions with regards to the life of a mine, anticipated inflation and long-term discounting rates and the expected nominal cost of decommissioning the respective mines, which are determined inside the Company. Any changes to these assumptions affect the carrying amount of the provision.

MINING DAMAGE

Due to the need to remove mining damage resulting from the operations of mines, the Parent Company has established a provision for mining damage. The value of work necessary to remove mining damage as at 30 June 2020 was PLN 317.0 million and was calculated as the estimated cost of repairs of facilities, structures and damages resulting from the consequences of mining operations.

ENVIRONMENTAL FEE AND ENVIRONMENTAL PROTECTION

As at 30 June 2020, the Parent Company holds a provision for environmental protection associated with biological reclamation of land and the environmental fee in the total amount of PLN 80.9 million. Based on the administrative decisions received, current zoning plans and the applicable act on the protection of arable land, JSW is legally obligated to reclaim the storage yards after it discontinues its industrial activity.

The Group's coking plants recognize a provision for the costs of remediation of the contaminated areas. According to the law regulating the issues of soil, earth and groundwater pollution, the holder of the land where contamination of the earth's surface occurs is obliged to carry out remediation. As at 30 June 2020, the provision on this account recognized in the books is PLN 19.9 million (PLN 19.9 million as at 31 December 2019).

PROPERTY TAX

After the Group's coke plants assessed the risk related to classification of fixed assets for property tax purposes, based on the updated risk calculation and assessment in this respect, the provision amount as at 30 June 2020 was kept at the previous level, i.e. PLN 14.3 million (as at 31 December 2019: PLN 14.3 million).

OTHER PROVISIONS

Other provisions include mainly:

- provision for the costs of liquidation of the Dębieńsko Coking Plant in the amount of PLN 9.4 million,
- provision for the litigation against JSW filed by Towarzystwo Ubezpieczeń Ergo Hestia S.A. for payment of compensation for the loss in property resulting from endogenous fire that occurred underground in the Zofiówka Section of KWK Borynia-Zofiówka-Jastrzębie (currently KWK Borynia-Zofiówka). The total provision amount is PLN 9.2 million,

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

- provision for the litigation against JSW filed by FAMUR S.A. for payment of compensation for the loss in property resulting from endogenous fire that occurred underground in the KWK Krupiński mine. The total provision amount is PLN 8.3 million,
- provision created by JSW KOKS for the reclamation fund of the waste storage yard in the amount of PLN 4.6 million,
- provision for compensation liabilities on account of non-contractual use of a real property (land located within a former protection zone) affected by installations owned by one of the companies. According to the Civil Code, the damages period is 10 years. Accordingly, the company recognizes a provision for liabilities on account of damages. As at 30 June 2020, the provision amount is PLN 1.8 million,
- provision for penalties for failing to adhere to a contract (including PLN 20.5 million of provisions for lawsuits brought by natural persons against the Parent Company).

7.14. TRADE AND OTHER LIABILITIES

	Note	30 June 2020	31 December 2019
FINANCIAL LIABILITIES			
Trade liabilities		839.6	1,119.7
Accruals and deferred income		24.6	14.9
Other liabilities of a financial nature, including:		235.2	711.4
– investment liabilities		177.6	679.0
– other liabilities		57.6	32.4
TOTAL		**1,099.4**	**1,846.0**
NON-FINANCIAL LIABILITIES			
Deferred income		101.9	102.3
Other liabilities of a non-financial nature, including:		1,135.6	952.4
– liabilities for social security contributions and other taxes	10.4	704.2	506.9
– trade advances		3.9	17.0
– payroll		348.4	336.6
– other		79.1	91.9
TOTAL		**1,237.5**	**1,054.7**
TOTAL TRADE AND OTHER LIABILITIES		**2,336.9**	**2,900.7**
including:			
long-term		121.8	118.9
short-term		2,215.1	2,781.8

In connection with the entry into force, on 1 April 2020, of the *Act of 31 March 2020 on amending the act on special solutions associated with preventing, counteracting and combating COVID-19, other infectious diseases and crisis situations they precipitate and certain other acts*, the Group has taken advantage of the implemented support solutions permitting an extension of payment due dates for civil and public law liabilities, as discussed in detail in Note 10.4.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

8. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

8.1. NET CASH FROM OPERATING ACTIVITIES

	Note	For the period of 6 months ended 30 June	
		2020	**2019**
Profit/(loss) before tax		**(1,186.0)**	**680.0**
Depreciation and amortization	4.2	546.0	475.3
(Profit) / loss on the sale of property, plant and equipment		3.5	19.0
Interest and profit-sharing		32.6	(25.1)
Movement in financial derivatives		58.3	-
Change in employee benefit liabilities		73.3	38.8
Change in provisions	7.13	(25.6)	(4.4)
Change in inventories	7.7	47.4	(190.2)
Change in trade and other receivables		40.0	199.7
Change in trade and other liabilities		(47.1)	153.5
Impairment loss on property, plant and equipment, intangible assets and right-of-use assets		426.9	(3.0)
Other cash flows		(11.4)	(13.5)
CASH FROM OPERATING ACTIVITIES		**(42.1)**	**1,330.1**

Reconciliation of changes in employee benefit liabilities in the consolidated statement of cash flows:

	Note	For the period of 6 months ended 30 June	
		2020	**2019**
Change in employee benefit liabilities from the consolidated statement of financial position	7.12	86.3	51.0
Acquisition of businesses (PBSz)		-	(12.2)
Actuarial gains/(losses) captured in other comprehensive income		(13.0)	-
CHANGE IN EMPLOYEE BENEFIT LIABILITIES IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		**73.3**	**38.8**

Reconciliation of change in trade and other receivables in the consolidated statement of cash flows:

	Note	For the period of 6 months ended 30 June	
		2020	**2019**
Change in trade and other receivables from the consolidated statement of financial position	7.8	(71.9)	125.9
Adjustment by fee paid		-	5.0
Adjustment for outstanding receivables from redemption of investment certificates presented as investments in the FIZ assets portfolio		100.8	-
Adjustment for outstanding receivables from sales of fixed assets and intangible assets		8.5	-
Acquisition of businesses (PBSz)		-	68.8
Other		2.6	-
CHANGE IN TRADE AND OTHER RECEIVABLES IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		**40.0**	**199.7**

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

Reconciliation of the change in derivative financial instruments in the statement of cash flows:

	For the period of 6 months ended 30 June	
	2020 *	**2019**
Change in derivative financial instruments in the statement of financial position	56.5	-
Profits/(losses) on measurement of hedging instruments in other comprehensive income transferred to the financial result in connection with the realization of the hedged position	1.8	-
MOVEMENT IN FINANCIAL DERIVATIVES IN THE STATEMENT OF CASH FLOWS	**58.3**	**-**

** In the statement of cash flows for the period of 6 months ended 30 June 2020, there is a change in presentation compared to the same period of 2019. According to the previous presentation:*
- balance sheet change in derivative financial instruments was presented in a separate item of the statement of cash flows,
- profits/(losses) on measurement of hedging instruments in other comprehensive income transferred to the financial result in connection with the realization of the hedged position adjusted cash receipts from operating activities.
Data for the period of 6 months ended 30 June 2019 were not restated, because such presentation change was immaterial.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

9. NOTES TO THE FINANCIAL INSTRUMENTS

9.1. CATEGORIES AND CLASSES OF FINANCIAL INSTRUMENTS

FINANCIAL ASSETS:

Financial instrument classes	Note	Financial instrument categories			Total
		Amortized cost	Fair value through profit or loss	Hedging instruments	
AS AT 30 JUNE 2020					
Covered bonds		-	50.4	-	**50.4**
Debt securities		-	706.4	-	**706.4**
Deposits		107.3	-	-	**107.3**
gross value		*107.3*	-	-	***107.3***
Cash and cash equivalents in FIZ		45.6	-	-	**45.6**
gross value		*45.6*	-	-	***45.6***
Receivables from redemption of investment certificates		100.8	-	-	**100.8**
gross value		*100.8*	-	-	***100.8***
Long-term receivables	7.6	1.1	-	-	**1.1**
gross value		*1.1*	-	-	***1.1***
Interests in other entities		-	0.1	-	**0.1**
Trade receivables	7.8	536.5	-	-	**536.5**
gross value		*597.1*	-	-	***597.1***
impairment losses		*(60.6)*	-	-	***(60.6)***
Financial derivatives		-	-	17.9	**17.9**
Bank term deposits	7.9	5.2	-	-	**5.2**
gross value		*5.2*	-	-	***5.2***
Cash and cash equivalents *	7.6, 7.10	858.4	-	-	**858.4**
gross value		*858.7*	-	-	***858.7***
impairment losses		*(0.3)*	-	-	***(0.3)***
TOTAL		**1,654.9**	**756.9**	**17.9**	**2,429.7**

**This item also includes funds accumulated to finance the closure of a mine described in Note 7.6.*

None of the significant financial assets that were not overdue were renegotiated during the last year.

FINANCIAL ASSETS:

Financial instrument classes	Note	Financial instrument categories			Total
		Amortized cost	Fair value through profit or loss	Hedging instruments	
AS AT 31 DECEMBER 2019					
Receivables of FIZ		0.1	-	-	**0.1**
gross value		*0.1*	-	-	***0.1***
Covered bonds		-	204.0	-	**204.0**
Debt securities		272.9	688.8	-	**961.7**
Deposits		661.8	-	-	**661.8**
gross value		*661.8*	-	-	***661.8***
Cash and cash equivalents in FIZ		72.6	-	-	**72.6**
gross value		*72.6*	-	-	***72.6***
Long-term receivables	7.6	3.9	-	-	**3.9**

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

Financial instrument classes	Note	Financial instrument categories			Total
		Amortized cost	Fair value through profit or loss	Hedging instruments	
gross value		*3.9*	-	-	***3.9***
Interests in other entities		-	0.1	-	**0.1**
Trade receivables	7.8	628.6	-	-	**628.6**
gross value		*709.0*	-	-	***709.0***
impairment losses		*(80.4)*	-	-	***(80.4)***
Financial derivatives		-	48.9	11.6	**60.5**
Bank term deposits	7.9	90.8	-	-	**90.8**
gross value		*90.8*	-	-	***90.8***
Cash and cash equivalents *	7.6, 7.10	702.2	-	-	**702.2**
gross value		*702.3*	-	-	***702.3***
impairment losses		*(0.1)*	-	-	***(0.1)***
TOTAL		**2,432.9**	**941.8**	**11.6**	**3,386.3**

**This item also includes funds accumulated to finance the closure of a mine described in Note 7.6.*

FINANCIAL LIABILITIES:

Financial instrument classes	Note	Financial instrument categories				Total
		Amortized cost	Fair value through profit or loss	Hedging instruments	Outside the scope of IFRS 9	
AS AT 30 JUNE 2020						
Loans and borrowings	6.2	520.0	-	298.8	-	**818.8**
Financial derivatives		-	8.5	6.7	-	**15.2**
FIZ derivatives – interest rate swap (IRS) in PLN		32.5	-	-	-	**32.5**
Other liabilities of FIZ		0.2	-	-	-	**0.2**
Lease liabilities	6.3	-	-	-	635.0	**635.0**
Trade and other financial liabilities	7.14	1,099.4	-	-	-	**1,099.4**
TOTAL		**1,652.1**	**8.5**	**305.5**	**635.0**	**2,601.1**

FINANCIAL LIABILITIES:

Financial instrument classes	Note	Financial instrument categories				Total
		Amortized cost	Fair value through profit or loss	Hedging instruments	Outside the scope of IFRS 9	
AS AT 31 DECEMBER 2019						
Loans and borrowings	6.2	264.5	-	94.6	-	**359.1**
Financial derivatives		-	0.4	0.9	-	**1.3**
FIZ derivatives – interest rate swap (IRS) in PLN		10.1	-	-	-	**10.1**
Other liabilities of FIZ		16.1	-	-	-	**16.1**
Lease liabilities	6.3	-	-	-	613.1	**613.1**
Trade and other financial liabilities	7.14	1,846.0	-	-	-	**1,846.0**
TOTAL		**2,136.7**	**0.4**	**95.5**	**613.1**	**2,845.7**

As at 30 June 2020 and as at 31 December 2019, the fair value of financial assets and liabilities measured at amortized cost did not differ significantly from their carrying amounts.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

9.2. FAIR VALUE HIERARCHY

In the period of 6 months ended 30 June 2020, the Group made no changes in the fair value measurement method for financial instruments carried at fair value (fair value measurement method) as described in Note 9.2. Consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2019).

In the 6-month period ended 30 June 2020, no financial assets changed their fair value hierarchy and no changes were made to the classification of financial instruments.

As at 30 June 2020 and 31 December 2019, the Group held financial derivatives, investments in the FIZ assets portfolio and interests in other entities classified at level 2 of the fair value hierarchy.

Group's material financial assets and liabilities carried at fair value:

	30 June 2020 Level 2	31 December 2019 Level 2
FINANCIAL ASSETS		
Investments in the FIZ asset portfolio	877.0	1,874.0
Financial derivatives, including:	17.9	60.5
financial assets – hedge derivatives	-	11.6
FINANCIAL LIABILITIES		
Financial derivatives, including:	15.2	1.3
financial liabilities – hedging instruments	6.7	0.9

9.3. FINANCIAL RISK MANAGEMENT

9.3.1. FINANCIAL RISK FACTORS

The business conducted by the Group exposes it to the following financial risks: market risk (including: price risk, foreign exchange risk and cash flow risk related to changes in interest rates), credit risk and liquidity risk.

The financial risk management principles and objectives did not change materially as compared to 31 December 2019. The financial and non-financial risk factors to which the Group is exposed are discussed in detail in the Consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2019 (Note 9.5).

The material actions taken during the 6 months ended 30 June 2020 to mitigate the individual financial risks are presented below.

(a) PRICE RISK

Commodity price risk

The situation on the metallurgical (coking) coal and coke market is related to the market for steel and metallurgical products; market trend cycles display price fluctuations in these sectors. Metallurgical (coking) coal prices depend strongly on demand on the global metallurgy and steel market, while steam coal prices additionally depend also on other domestic producers. Even though JSW has regular offtakers, the Parent Company must compete with local and overseas suppliers (chiefly coke and metallurgical (coking) coal). Growth in the significance of price indices and the disappearance of the traditional benchmark for metallurgical (coking) coal agreed upon prior to the period of deliveries open up possibilities for employing various settlement periods and reference prices. This may lead to greater price volatility and periodic price differences than in the case of having negotiations rely on a single quarterly benchmark. The ownership change processes in the European steel industry force greater market activity, resulting in an increased diversification of sales. In case of changes in market prices and in order to ensure stable allocation of volumes on the market, the Group mitigates their impact on its financial standing by taking the following actions:

- optimize production volume,
- optimize the production structure to increase efficiency of product sales (increase production of goods commanding better prices and finding demand in the period – optimization of the sales structure),
- optimize the selling directions of the products.

A downturn in global economies, in particular in the steel and power industry or events causing a significant decline in demand for coal and coke, may have an adverse impact on the Group's activity, results and financial standing.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

The regulations and restrictions caused by the measures aimed at limiting the spread of COVID-19 have led to a sharp decline of production in all areas of business which, as a consequence, causes a domino effect in the remaining part of the supply chain. The restrictions that have been imposed on economic activity may temporarily lead to reduced demand and significant decreases in the prices of commodities, including metallurgical (coking) coal, steam coal and coke.

In order to react to changing prices at the right moment, the Group constantly monitors markets, analyzes them and tracks on an ongoing basis price trends on the coal, coke, steel and electricity markets and rail and marine cargo transport. Also, an analysis is conducted to monitor the opportunities and the terms for the offtakers to obtain coal or coke from alternative sources on the domestic market or from foreign, mainly overseas markets. The terms and conditions of long-term contracts allow for periodic price negotiations (annually for steam coal and quarterly for metallurgical (coking) coal and quarterly, semi-annually or annually for coke). To achieve the risk management goals, the Group observes the rules described in the JSW Group's Sales Procedure and the rules of the Foreign Exchange Risk Committee at the JSW Group, which monitors the inflow of currencies from deliveries of coal, coke and hydrocarbons.

The overriding objective of the principles for managing the risk of metallurgical (coking) coal prices adopted by the Group is to reduce the impact of fluctuations in metallurgical (coking) coal prices on the Group's cash flows to an acceptable level. The Group assumes that the application of the metallurgical (coking) coal price risk management principles described in the Coking Coal Price Risk Management Policy will increase the probability of achieving planned cash flows and the stability of its planned growth in the long term.

(b) FOREIGN EXCHANGE RISK

The Group is exposed to significant foreign exchange risk due to its foreign currency exposure which may affect the amounts of future cash flows and the financial result. Foreign exchange risk in the Group originates from the sale of its products:

- sales denominated in EUR and USD,
- sales indexed to EUR and USD.

Analysis of sensitivity to changes of exchange rates:

	EUR/PLN rate				USD/PLN rate			
	30 June 2020		31 December 2019		30 June 2020		31 December 2019	
	net profit	other comprehensive income	net profit	other comprehensive income	net profit	other comprehensive income	net profit	other comprehensive income
% change	6.1%		4.6%		10.1%		8.3%	
Change in the value of financial assets	11.0	-	7.1	-	9.0	-	8.1	-
Change in the value of financial liabilities	(7.6)	(18.0)	(5.0)	(17.3)	(81.8)	(32.8)	(73.8)	(26.9)
Effect on profit before tax or other comprehensive income	3.4	(18.0)	2.1	(17.3)	(72.8)	(32.8)	(65.7)	(26.9)
Tax effect	(0.7)	3.4	(0.4)	3.3	13.8	6.2	12.5	5.1
IMPACT ON NET PROFIT	**2.7**	**-**	**1.7**	**-**	**(59.0)**	**-**	**(53.2)**	**-**
IMPACT ON OTHER COMPREHENSIVE INCOME	**-**	**(14.6)**	**-**	**(14.0)**	**-**	**(26.6)**	**-**	**(21.8)**

When the exchange rates drop (change by minus %), the sensitivity analysis produces values identical to those in the table above but with an opposite sign.

(c) RISK OF CASH FLOW VOLATILITY CAUSED BY CHANGES IN INTEREST RATES

The Group is exposed mainly to the risk of changes in interest rates in respect of the assets associated with the holding of the FIZ asset portfolio, cash and deposits as well as liabilities on account of loans and borrowings. To a lesser extent, the Group is exposed to the risk of changes in interest rates related to its lease liabilities.

The Group does not use derivatives to hedge against interest rate risk.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

The tables below present the potential impact of a change in interest rates on net profit/loss. The analysis only covers these positions in financial instruments, which are exposed to interest rate risk as at the last day of the reporting period. The level of changes in interest rates assumed as at 30 June 2020 reflects the hypothetical change in the level of the PLN reference rate.

Analysis of sensitivity to interest rate changes:

Impact of an interest rate increase:

	PLN interest rate		USD interest rate	
	30 June 2020	**31 December 2019**	**30 June 2020**	**31 December 2019**
Volatility in basis points	+ 50pb			
Change in the value of financial assets	9.1	13.0	-	0.2
Change in the value of financial liabilities	(2.8)	(4.4)	(1.5)	(0.5)
Impact on profit/loss before tax or other comprehensive income	6.3	8.6	(1.5)	(0.3)
Tax effect	(1.2)	(1.6)	0.3	0.1
IMPACT ON NET PROFIT/LOSS OR OTHER COMPREHENSIVE INCOME	**5.1**	**7.0**	**(1.2)**	**(0.2)**

Impact of an interest rate decrease:

	PLN interest rate		USD interest rate	
	30 June 2020	**31 December 2019**	**30 June 2020**	**31 December 2019**
Volatility in basis points	- 50pb			
Change in the value of financial assets	(7.8)	(13.0)	-	(0.2)
Change in the value of financial liabilities	0.8	4.4	0.3	0.5
Impact on profit/loss before tax or other comprehensive income	(7.0)	(8.6)	0.3	0.3
Tax effect	1.3	1.6	(0.1)	(0.1)
IMPACT ON NET PROFIT/LOSS OR OTHER COMPREHENSIVE INCOME	**(5.7)**	**(7.0)**	**0.2**	**0.2**

The Group is exposed to interest rate risk primarily in PLN and USD. With respect to EURIBOR rates, their volatility is low and foreign currencies are only a small fraction of the overall cash exposed to the risk of interest rate changes; therefore, their effect on the Group's financial results is insignificant.

(d) CREDIT RISK

Credit risk identified in trade receivables is related to their concentration and timely service and credibility of buyers. Sales are made to a limited number of buyers and therefore there is a concentration of risk associated with trade receivables.

In the period of 6 months ended 30 June 2020, the ArcelorMittal Group and Voestalpine and companies with the State Treasury in the shareholding structure still remain the principal buyers, responsible for respectively 22.5%, 12.8% and 12.3%, respectively of all trade receivables as at 30 June 2020.

Restrictions associated with counteracting the COVID-19 pandemic, including the suspension of a number of industries, may deteriorate the financial situation of recipients, which in turn may adversely affect the timely payment of receivables.

The credit risk pertaining to cash and cash equivalents is limited because the Group invests its cash in banks with established market position and holding a rating awarded by international rating agencies.

The highest concentration level in one bank as at 30 June 2020 is 28.9% of the permissible limit.

According to the Group's assessment, the maximum exposure to credit risk on the final day of the reporting period is the full carrying amount of trade receivables without the fair value of security accepted, cash and cash equivalents and financial assets in the form of bank term deposits.

(e) LIQUIDITY RISK

In connection with the high capital expenditures incurred and the strong dependence of cash flows on coal and coke sale prices, in periods of bad economic conditions the Group is exposed to liquidity risk.

The current tough market conditions, manifested in reduced demand, also as a result of the pandemic, have had an adverse effect on liquidity. The positive cash flows from operating activities generated in the first six months of 2020 do not exceed the negative cash flows from investing activities. The available cash balance was increased as a result of positive cash flows from financing activities, mainly proceeds under loans and borrowings.

Considering the current situation, the Group is pursuing the liquidity management policy under which it diversifies financing sources and takes advantage of the available tools to ensure effective liquidity management, including, among others:

(i) The Parent Company has in place the Stabilization Fund providing a safety cushion in times of economic downturn when it is necessary to incur expenditures not fully covered by cash inflows. With this in mind, a Cooperation Agreement was signed with TFI Energia S.A. (formerly PGE Towarzystwo Funduszy Inwestycyjnych S.A.), under which Parent Company established the JSW Stabilization Closed-End Investment Fund (JSW Stabilization FIZ). The value of the FIZ's net assets as at 30 June 2020 was PLN 877.0 million.

On 8 January 2020 the JSW Management Board and on 13 January 2020 the JSW Supervisory Board made decisions to redeem the investment certificates presented in the consolidated financial statements as investments in the FIZ assets portfolio in the amount of PLN 400.0 million for series A and PLN 300.0 million for series B. Also, on 29 April 2020, the JSW Management Board adopted a resolution to redeem series A and series B investment certificates of the JSW Stabilization Fund (FIZ) in the estimated total amount of PLN 400.0 million. On the same day, the JSW's Supervisory Board, in accordance with the Articles of Association, gave consent to the redemption.

Accordingly, during the 6-month period ended 30 June 2020, the Parent Company redeemed investment certificates of JSW Stabilization FIZ series A worth PLN 688.1 million and series B worth PLN 306.0 million, where, in the case of the redeemed series A investment certificates, the cash proceeds of PLN 100.8 million were received after the last day of the reporting period.

As part of the decisions made, FIZ certificates worth about PLN 100.0 million remained outstanding. The receipts from the redemption of these certificates are expected in September 2020.

The monies obtained from the redemptions of FIZ certificates are used both for the Group's current operations and for investment activity.

The Group strives to keep the Fund and rebuild its value when the market conditions are favorable.

(ii) In connection with the entry into force of the Act of 31 March 2020 *amending the act on special solutions associated with preventing, counteracting and combating COVID-19, other contagious diseases and crisis situations they precipitate and certain other acts, introducing solutions aimed at, among other things, supporting undertakings in the crisis caused by the COVID-19 pandemic* ("Anti-Crisis Shield"), since JSW has satisfied the criteria for using the aid solutions, on 15 July 2020 it filed an application to obtain financing of PLN 1,750.0 million as part of The Polish Development Fund's Financial Shield for Large Companies.

After the end of the reporting period, on 30 July 2020, JSW also submitted an application to the Voivodship Labor Office in Katowice for subsidy to employee salaries from the Guaranteed Employee Benefit Fund for the maximum period of 3 months in the amount of PLN 166.9 million. The application was accepted by the Voivodship Labor Office on 4 August 2020.

The Group has also used the opportunity to defer payments of public liabilities (more in Note 10.4).

(iii) In order to achieve more effective management of current liquidity, the Group has in place a cash management system referred to as Physical Cash Pooling ("PCP").

(iv) In emergencies, the Group takes optimization measures in the cost and investment area in order to maintain the safe level of cash and net debt and the contractual covenants.

Finance contracts impose a number of covenants on JSW and other Group companies. According to contractual clauses, the total share of EBITDA of guarantors (JSW KOKS) and JSW in the Group's total EBITDA must be no less than 85%. A default on the ratio does not constitute an event of default on the contract. However, if the ratio falls below the required level, JSW will have to procure that, within 60 days of delivery of the compliance certificate, another Group entity approved by lenders becomes an additional surety. According to the preliminary estimates, as at 30 June 2020 the Group will not satisfy the above covenant. At the same time, internal arrangements are made in order to establish the additional surety.

(v) Use of available banking tools in settlements of transactions with business partners.

The Group also intends to maintain the proper financing structure by keeping an appropriate level of long-term financing sources.

The Group's process of liquidity risk management calls for effective monitoring and reporting of the liquidity position, among others, to take preventive measures in the event of a threat to liquidity and maintaining an appropriate (minimum) level of cash available for service of current payments.

In connection with the Group's measures taken with the aim of mitigating the liquidity risk, the Group considers the current level of liquidity risk to be acceptable.

9.3.2. CAPITAL RISK MANAGEMENT

In the period covered by these interim condensed consolidated financial statements, there were no material changes in the capital risk management objectives, principles and procedures as described in Note 9.5.2. of the consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2019.

Information on the degree of fulfillment of the financial covenants under financing agreements is provided in Note 6.2.

(All amounts in tables expressed in millions of Polish zloty unless stated otherwise)

10. OTHER EXPLANATORY NOTES

10.1. CONTINGENT ITEMS

CONTINGENT ITEMS

In the 6-month period ended 30 June 2020, there were no material changes to the contingent liabilities disclosed in Note 10.1 of the Consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2019.

GUARANTEES AND SURETIES GIVEN

In the 6-month period ended 30 June 2020, none of the Group companies granted any sureties and guarantees to any single entity or any subsidiary of such an entity with a significant total value.

INFORMATION ON MATERIAL COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS

In the period of 6 months ended 30 June 2020 Group companies took part in court and administrative proceedings related to their activities. The court proceedings that may exert material impact on the Group's financial standing are presented in Section 5.5. Of the Management Board Report on the activity of the Jastrzębska Spółka Węglowa S.A. Group for the period of 6 months ended 30 June 2020.

10.2. FUTURE CONTRACTUAL LIABILITIES

Future contractual liabilities incurred on the dates ending the reporting periods that are not included in the interim condensed consolidated statement of financial position include:

	30 June 2020	31 December 2019
Contractual liabilities incurred to purchase property, plant and equipment and intangible assets	848.2	799.3
Other	24.8	52.5
TOTAL	**873.0**	**851.8**

10.3. RELATED PARTY TRANSACTIONS

As at 30 June 2020, the State Treasury was the majority shareholder of the Group.

In the period of 6 months ended 30 June 2020, all the transactions between the Group and its related parties were executed on an arm's length basis, were typical and concluded in the normal course of business. In the presented reporting period, the Group concluded no other material transactions with related parties with a different nature or material amounts, other than those described in the most recent annual consolidated financial statements.

In the 6-month period ended 30 June 2020, no individual transactions executed between the Group and parties related to the State Treasury were identified that would be significant due to their non-standard scope and/or amount, except for the transaction described below.

The Act of 16 April 2020 *on special support instruments in connection with the spread of the SARS-CoV-2 virus* came into effect on 18 April 2020. By its power, the Polish Air Navigation Services Agency ("Agency") received the right to acquire, with a declaration intent to acquire, all property rights due to the owner of proprietary copyrights to an ITC system designed to coordinate and manage unmanned aerial vehicles, including its functional parts – computer programs (software) in all fixed versions and other works within the meaning of the Act of 4 February 1994 (Journal of Laws 2019, Item 1231 and of 2020, Item 288) ("UTM System") and proprietary copyright to the documentation of the UTM System.

On 28 May 2020, the Agency submitted a declaration of intent to acquire assets of Hawk-e. The parties are currently in the course of defining the scope and the value of the object of the transaction.

10.4. IMPACT OF THE SARS-CoV-2 CORONAVIRUS PANDEMIC ON THE GROUP'S OPERATIONS

10.4.1. NATURE OF THE EVENT AND PREVENTIVE MEASURES TAKEN

The first news from China regarding the SARS-CoV-2 coronavirus causing COVID-19 appeared at the end of 2019. In the first months of 2020, the virus spread across the globe and its negative impact gained momentum. The COVID-19 pandemic, causing disruptions in the economic and administrative system in Poland and resulting in important restrictions of the economic activity, influenced the Group's operations and results.

From the outbreak of the pandemic the Group has taken a number of preventive measures and measures strengthening the safety of employees aimed at preventing the spreading of the coronavirus and implemented a contingency plan providing for efforts ensuring operational continuity. As of 12 March 2020, the Crisis Management Team was appointed with the primary objective to ensure security and production continuity in JSW mines through:

- maintenance of the operation of the mines,
- preparation of conducted fronts if it is necessary to start full production,
- securing a mine if it is necessary to discontinue production.

The crisis management team recommended the President of the JSW Management Board to introduce the following regulations:

- *A regulation on periodical medical check-ups and scheduled training on OHS and mining rescue operations in connection with the spreading of the epidemic threat from the SARS-CoV-2 coronavirus,*
- *A regulation on the procedure for counteracting the spreading of infections with the SARS-CoV-2 coronavirus in JSW,*
- *A regulation on tasks ensuring continuity of JSW's operations in the situation of the threat of the epidemic of SARS-CoV-2 virus and the COVID-19 disease caused by it,*
- *A regulation on medical check-ups and training in the area of OHS and mining rescue operations in connection with the spreading of the epidemic threat from the SARS-CoV-2 coronavirus,*
- *A regulation on providing information about accidents and extraordinary events,*
- *A regulation on appointing substitute staff,*
- *A regulation on update of the assessment of vocational risk on workstations in JSW mines in connection with the possibility of coronavirus infection,*
- *A resolution on the adoption of the "Business Continuity Management Policy",*
- *A resolution on taking additional preventive measures aiming to limit the spreading of infections with the SARS CoV-2 virus in JSW in the area of employment,*
- *A resolution on taking additional preventive measures aiming to limit the spreading of infections with the SARS-CoV-2 virus in JSW KWK Pniówek,*
- *A resolution on taking additional preventive measures aiming to limit the spreading of infections with the SARS CoV-2 virus in JSW in the area of cassette tests and screening smear tests,*
- *A resolution on taking additional preventive measures aiming to limit the spreading of infections with the SARS-CoV-2 virus in JSW – suspension of the usual coal mining production cycle in the "Knurów-Szczygłowice" and "Budryk" mines from 9 June to and including 28 June 2020.*

The emergency response team monitors the situation on an ongoing basis. The team recognizes the up-to-date situation with respect to the number of available workers, results of the measurement of body temperature, occurring incidents, the number of absent workers and those kept in quarantine. It monitors inventory levels, orders, consumption and availability of counter-epidemic protection equipment. The team prepares draft procedures for acting in the present circumstances. It prepares mine operation scenarios in view of the coronavirus threat. The team is an advisory body for Mine Section Managers (KRZG") in organizing work and production processes. It issues operating instructions in the form of decisions. It recommends the President of the JSW Management Board to adopt regulations relevant to the current situation limited by the risk of becoming infected with the coronavirus.

The major measures may include the change of the working time organization in all the mines owned by JSW and the introduction, as of 23 March 2020, of a three-shift work system in place of the four-shift one, to limit the contacts of employees working different shifts to the maximum. Moreover:

- a ban on unauthorized access to JSW's facilities has been imposed,
- the possibility of remote work has been introduced,
- the work of registry offices has been limited,
- trips to training, courses, conferences, etc. have been suspended,
- the JSW mines have been equipped with bactericides and viralides,
- inspections of sanitary conditions have been intensified,
- disinfections of rooms, mine cages, means of transport for people,
- in the period until 31 July 2020, employees who have not worked in a given mine for the last 14 days are prohibited from being allowed to start work,

- managers of companies providing services and deliveries for mines have been obligated to employ health and not infected employees,
- it has been banned to take snuff or eat sunflower or pumpkin seeds in underground pits in the mines,
- disinfection sprinklers have been installed in the mines,
- JSW employees have been tested with screening tests; over 25 thousand tests have been carried out,
- in response to the orders of the Silesian State Voivodeship Sanitary Inspector ("PŚWIS") and in line with the determinations of the Silesian Voivodeship Crisis Management Team, screening smear tests have been carried out for over 42 thousand employees,
- Help Teams have been established to help State County Sanitary Inspectors ("PPIS") and injured persons in efficient return to work,
- information and awareness-raising campaign for employees is being conducted on an ongoing basis about the necessity to observe the adopted rules.

SOCIALLY BENEFICIAL MEASURES UNDERTAKEN BY THE GROUP TO COMBAT THE CORONAVIRUS

Operating in the emergency mode caused by the outbreak of the SARS-CoV-2 virus pandemic the Group has taken a number of socially beneficial measures executed directly by the Parent Company and though the JSW Foundation. Below are presented the main socially beneficial measures undertaken by the Group to combat the coronavirus:

- support for hospitals and the health care service in combating the threat following from the spread of the epidemic through financial and in-kind donations in the form of thermovision systems for measuring body temperature, medical masks, filtering half masks, biological suits, vinyl gloves, disinfection fluids, face shields and goggles,
- support of a facemask sewing campaign for hospitals though purchase of sewing machines,
- support for orphanages through donating computer hardware supporting remote learning,
- donation of 30 ventilators for local hospitals,
- launch of an internet platform nowakopalniawiedzy.pl, which in the times of the pandemic supports teachers, parents and pupils. The platform offers both educational materials and films promoting physical activity among children and youths, which is extremely important during the pandemic.

10.4.2. IMPACT OF THE PANDEMIC ON CONDUCTED OPERATING ACTIVITY

The preventive change in the organization of work and the high absenteeism had an impact on the coal production level. In addition, the usual coal mining production cycle in the "Knurów-Szczygłowice" and "Budryk" mines was suspended from 9 June 2020. The above measures were taken in the interest of the employees' health and safety, in connection with the recommendations of the Silesian Voivode, the Silesian State Voivodeship Sanitary Inspector and the Minister of State Assets.

Compared to the forecasts following from the prevailing Technical and Economic Plan, the production level in April 2020 was lower by 325.0 thousand tons, in May by 379.0 thousand tons of coal and in June by 342.0 thousand tons. Production in July reached the level assumed in the Technical and Economic Plan and shows that the situation is under control and the pandemic in the months to come should not have such a big impact on the production level as in March-June 2020.

In the opinion of the JSW Management Board, the production decline does not impact the Group's ability to perform its current sales contracts, including delivery of coal to coking plants owned by the Group since the coal inventories allow for on-going performance of such contracts. By the same token, the production level and inventories of coke are sufficient to perform the contracts in the coke segment.

The Company receives information about reductions in execution of contractual obligations by the Group's buyers, including as a result of declaration of force majeure. Limitation of rail or marine transport may be a strong risk factor which may disrupt or prevent the Group's activity. According to today's forecasts, the continuation of performed investments is not threatened; it may only be slightly delayed because of the general limitations in the access to services and materials.

MARKET CONTEXT

The SARS-CoV-2 coronavirus pandemic has impacted the economic growth and industrial production and the recovery after relaxing national blockages and restrictions was unstable and unequal in different countries. Governments have introduced major restrictions to protect public health which stopped or limited certain forms of business activity. They have also implemented a number of stimulation programs, while central banks across the globe cut the interest rates. As the pandemic developed, the governments across the globe have implemented fiscal and monetary stimuli on a large scale to alleviate the impact on GDP growth. International Monetary Fund estimates that the total global fiscal package amounts to approx. USD 9.0 trillion.

The global economic slowdown as a result of the spread of COVID-19 caused drastic reductions of steel production in many countries, which affected the demand for metallurgical (coking) coal and coke. Indian steel mills reduced their production by 60-70% during India's national lockdown, while many Indian ports declared a "force majeure". Other major buyers of metallurgical (coking) coal and coke in North-East Asia and Europe also reduced their steel production. The reduced demand for metallurgical (coking) coal affected the production in the US, mainly in the mines with high production costs. However, as the prices kept declining, the effects on the supply side spread over other major countries exporting metallurgical (coking) coal, including Australia. The steel production capacity was reduced to a much greater extent than the production of metallurgical (coking) coal or coke.

In Q2 2020, due to restrictions associated with the pandemic, steelworks all across the globe introduced sharp steel production cuts. Outside of China, the spread of COVID-19 caused shutdowns or reduction of steel production capacities by 284.0 million tons annually at the end of June, which corresponds to 12% of the total steel production capacity. Europe was one of the regions that were the most affected by steel production cuts and the scale of blast furnace shutdowns. The reduction of steel production capacity in Europe in blast furnaces (through shutdowns and production reductions) was about 37.0 million tons at the end of June, which represented 29% of the production capacity of blast furnaces. At this point, 17 blast furnaces with the total production capacity of approx. 26.8 million tons annually were shut down.

According to the World Steel Association, global raw steel production in H1 2020 was 873.1 million tons, signifying a 6.0% decline versus the same period in 2019. Raw steel production in the European Union dropped in H1 2020 by 18.7% year on year and stood at 68.3 million tons. China restored the high steel production levels the fastest, recording a 1.4% increase in the period from January to June.

Lower steel production levels meant lower demand for coke and, considering the coke production in integrated steel mills, mainly lower demand for external coke supplies.

The global coke market, even though its volumes are much lower than the market for metallurgical (coking) coal, was subject to significant changes. China, so far the largest exporter of coke in the world, started to import coke, and due to insufficient demand on the global market, the Chinese market became the main direction for exporting surplus coke by producers from across the world.

JSW'S AND THE GROUP'S COMMERCIAL SITUATION

The Group has experienced limitations caused by the restrictions associated with the COVID-19 pandemic. The first limitations were introduced in March 2020, while the full impact was felt in Q2 2020. Limitations of production in steel industry concern idling blast furnaces, whereas the production in coking plants, for technical and technological reasons, cannot be stopped but only reduced to a limited extent. As a result, purchases of metallurgical (coking) coal are continued by business partners, even though in a limited scope.

The Group is more threatened with reduced sales of coke. In Q2 2020, a decline in demand for coke produced in the Group was felt. Market coking plants (not tied to steelworks) are to a greater extent affected by reduction of orders – metallurgical concerns in the first place reduce coke purchases from the outside, protecting the production of their in-house coking plants. The Group's customers include steelworks that do not have their own coking plants, and JSW KOKS's coking plants are the core coke suppliers for them. This increases the Group's security regarding continuity of supplies to such buyers. Considering the situation in the European market, the Group significantly increased its coke shipments to overseas markets, acquiring new buyers constituting an alternative to the uncertain European market.

The Group sells mainly on the basis of long-term contracts, which have not been terminated, but only "periodically" limited and are likely to return to full performance after the restrictions caused by COVID-19 are lifted.

ANNOUNCEMENT OF FORCE MAJEURE IN JSW

On 2 April 2020, JSW announced the occurrence of force majeure in JSW and notified the Group's business partners of its occurrence and the consequences for some of the liabilities stemming from the concluded commercial agreements. The foregoing decision was made in connection with the spread of the SARS-CoV-2 virus and the related restrictions. The force majeure was terminated after the end of the reporting period, i.e. on 9 July 2020. As a result of the actions taken by JSW to mitigate the consequences of the obstacle to the performance of its contractual obligations, it was possible to substantially minimize the adverse business effects for JSW related to the SARS-CoV-2 coronavirus pandemic. In the said period JSW in particular took a number of preventive measures aimed at averting the dissemination of coronavirus and implemented a contingency plan to ensure operational continuity and performance of the existing contracts.

IMPACT OF THE PANDEMIC ON THE FINANCIAL STANDING AND VALUATION OF ASSETS AND LIABILITIES

Costs incurred

In the period from March to June 2020 JSW incurred significant labor costs related to employees contracting COVID-19, their quarantine, the execution of preventive measures involving the need of phasing in "downtime" and costs related to handling and organizing the overall process to ensure that the panedemic's repercussions are as least onerous as possible. The total costs incurred for combating the SARS-CoV-2 pandemic in the Group amounted to PLN 75.8 million.

Impairment of non-current assets

The results of the tests carried out by JSW pointed to impairment of the carrying amount of non-current assets in the coal segment pertaining to the assets of the "Jastrzębie-Bzie" Coal Mine, in the amount of PLN 430.9 million. The main reason for the decline in the recoverable amount of assets is the adverse impact exerted by the SARS-CoV-2 coronavirus on the economy by reducing steel production capacity, which drives down coal prices, causes a partial loss of revenue and necessitates adjustment of investment plans. This resulted in limitation of the possibility of market placement of additional amounts of coal from the newly built Jastrzębie-Bzie mine at the initially assumed price. The details of the completed impairment losses are described in Note 7.4.

IMPACT OF THE SARS-COV-2 VIRUS PANDEMIC ON THE ASSESSMENT OF EXPECTED CREDIT LOSSES

To take into account the impact of the SARS-CoV-2 coronavirus on the credit quality of the customers from the coal and coke trade receivables group, the Parent Company has adjusted the probability of default on the basis of external ratings through including an additional bonus for the risk associated with the economic situation and forecasts for the future. The effect of including the impact of the coronavirus on the amount of the allowance recorded for coal and coke trade receivables was PLN 0.9 million.

The Group expects that the measures introduced to support economic operators within the so called "anti-crisis shield" will limit effectively potential liquidity problems of these business partners who are exposed most to the adverse economic effects caused by the pandemic.

The Group is currently analyzing the impact of the SARS-CoV-2 pandemic on the market situation and signals that may indicate a deteriorating financial standing of the business partners caused by the pandemic and, if necessary, will continue to update the estimates adopted to calculate the expected credit losses in next reporting periods.

The above assessment has been made to the best of the Group's knowledge as at the date of preparing this report. The actual scale of the future effects of the COVID-19 coronavirus pandemic and their impact on the activity and the financial and operational standing and prospects of the Group is currently unknown and impossible to estimate and depends on factors which are beyond the Group's control and are subject to dynamic changes.

Liquidity position

The COVID-19 pandemic caused a temporary reduction of production, which has direct impact on the Group's current activity, including the level of earned revenues and incurred costs, and, as a result, the Group's financial liquidity and debt level. Accordingly, the Group is taking efforts to mitigate the impact of the pandemic on the Group's liquidity, by taking advantage of the solutions available on the market to support working capital management and is applying for the public financial aid available on the market and funding available as part of the anti-crisis shield (more in Note 9.3 Financial risk management).

10.4.3. SUPPORTING SOLUTIONS APPLIED AS PART OF THE ANTI-CRISIS SHIELD

Because of the entry into force, on 1 April 2020, of the Act of 31 March 2020 on amending the act on special solutions associated with preventing, counteracting and combating COVID-19, other contagious diseases and crisis situations they precipitate and certain other acts, introducing solutions aimed at, among other things, supporting undertakings in the crisis caused by the COVID-19 pandemic ("Anti-Crisis Shield"), the Group takes advantage of support solutions, including:

1. **Prolongation of the payment deadline for the fee for perpetual usufruct of land from 31 March 2020 till 30 June 2020:** on 29 June 2020, JSW paid the liability in the amount of PLN 3.0 million. The deferral is statutory and did not require submission of an application in this regard to the County Office/Township. Companies from the Group also took advantage of this supporting solution.
2. **Property tax** – On 15 April 2020, JSW applied to the Town Office in Jastrzębie-Zdrój, the Gierałtowice Municipal Office, Pawłowice Municipal Office, Ornontowice Municipal Office, Town Office in Knurów, for deferring the payment dates of property tax installments whose statutory deadlines fall in April, May and June 2020, until 30 September 2020. In accordance with the issued resolutions, the Pawłowice Municipal Office (installments for May and June 2020) and the Jastrzębie-Zdrój Town Office (installments for April, May and June 2020) extended the payment deadlines till 30 September 2020. As for the application filed with the Knurów Town Office (installments for April, May and June 2020) JSW is waiting from the decision of the tax authority. The Gierałtowice Municipal Office and the Ornontowice Municipal Office discontinued the proceedings to defer the payment deadlines for the property tax for April, May and June 2020 in connection with counting the overpayment of the property tax for previous years towards the current tax.

   On 30 April 2020, JSW KOKS filed an application for deferring the payment date for the payments for May and June to four municipalities: Dąbrowa Górnicza, Radlin, Zabrze and Czerwionka-Leszczyny. Positive decisions for the amount of PLN 3.6 million were obtained from the Dąbrowa Górnicza and Zabrze Municipalities, while the Radlin and Czerwionka-Leszczyny Municipalities issued negative decisions (the liability to which the decisions pertained amounted to PLN 1.2 million). On 17 July 2020, JSW KOKS filed with the Radlin Municipality an application for deferring the payment date of the property tax installments for August and September till 31 December 2020. The application is being processed.

   Also, JZR and PBSz took advantage of deferral of the property tax payments.
3. **Personal income tax advance** – JSW will be obligated to pay the tax for May 2020 in the amount of PLN 14.4 million on 20 December 2020. The deferral of payment of personal income tax is statutory; therefore JSW is not required to submit an application in this regard to the Second Silesian Tax Office in Bielsko-Biała. Companies from the Group also took advantage of this supporting solution.
4. **Social insurance and health insurance, Labor Fund, Guaranteed Employee Benefit Fund, Bridge Pension Fund and Solidarity Fund contributions** – JSW will be obligated to pay the contributions for March 2020 in the amount of PLN 70.3 million on 15 October 2020, the contributions for April 2020 in the amount of PLN 124.4 million on 16 November 2020, and the contributions for May 2020 in the amount

of PLN 59.5 million on 15 December 2020. The total amount of the relief in the form of the deferral is PLN 254.2 million. The dates of payment of the contributions due may be deferred after JSW's application is accepted by the Social Insurance Institution (ZUS). The applications were filed on 12 April, 30 April and 1 May and were all accepted by ZUS. Moreover, on 11 August 2020 the Parent Company submitted another application regarding the contributions for July 2020 in the amount of PLN 58.5 million, with a proposed deferral by 6 months, i.e. till 15 February 2021. The application is waiting to be processed.

JSW KOKS will be obligated to pay the contributions for April 2020 in the amount of PLN 8.0 million on 1 October 2020 and the contributions for May 2020 in the amount of PLN 6.9 million on 2 November 2020.

Also PBSz submitted an application for deferral of ZUS contributions for March, April and May 2020 and obtained a positive decision.

5. **Assistance Program of the Polish Development Fund ("PFR"):** after the end of the reporting period, i.e. on 15 July 2020, JSW submitted an official application to PFR under the Financial Shield for Large Companies, for financial support in connection with combating the effects of the COVID-19 pandemic. The application pertains to funding in the form of a preferential loan to cover the effects of COVID–19 in the amount of PLN 750.0 and a liquidity loan in the amount of PLN 1.0 billion to fund the day-to-day operating activity, including salaries and liabilities towards contractors. Launch of the program under the name PFR Financial Shield for Large Companies is likely to take place upon obtaining its notification by the European Commission.

   On 31 July 2020, also JSW KOKS submitted an application to PFR for preferential funding in the amount of PLN 96.1 million and liquidity funding in the amount of PLN 115.0 million. The application is being processed.

6. JSW takes advantage of the support pursuant to Article 32 item 4 of the Act of 19 June 2020 on **subsidies to interest on bank loans granted to businesses affected by COVID–19** as regards exemption from the tax on revenues from buildings subject to taxation pursuant to Article 24b of the corporate income tax, set for the period from 1 June to 31 December 2020 in the total amount of PLN 0.1 million. Companies from the Group, such as JSW KOKS, JZR, PBSz and Carbotrans, also took advantage of this supporting solution.

7. After the end of the reporting period, on 30 July 2020, JSW submitted an application to the Voivodship Labor Office in Katowice for **subsidy to employee salaries from the Guaranteed Employee Benefit Fund** for the maximum period of 3 months in the amount of PLN 166.9 million. The application was accepted by the Voivodship Labor Office on 4 August 2020. The first tranche in the amount of PLN 55.6 million was credited to JSW's bank account on 7 August 2020.

   On 29 July 2020, JSW KOKS submitted an application to the Voivodship Labor Office in Katowice for a subsidy to employee salaries from the Guaranteed Employee Benefit Fund for the period of 1 month in the amount of PLN 5.7 million, and on 7 August 2020 the same application for a subsidy for the period of 2 months in the amount of PLN 11.5 million. On 18 August 2020, the Voivodship Labor Office in Katowice transferred to the JSW KOKS' bank account the monies requested in the first application in the full requested amount, i.e. PLN 5.7 million and on 19 August 2020 half of the amount requested in the second application, i.e. PLN 5.7 million.

   The Group's subsidiaries also submitted such applications. The applications of JSU and Hawk-e were accepted and the applications of the remaining companies are waiting to be processed.

8. In accordance with the Regulation issued by the Finance Minister on 27 March 2020, some subsidiaries have taken advantage of the prolongation of the deadline for submitting the statement on the amount of earned income (incurred loss) and payment of tax due by payers of corporate income tax for 2019 until 31 May 2020.

10.5. SUBSEQUENT EVENTS

According to our knowledge, there were no material events after 30 June 2020, i.e. after the end of the reporting period, other than those described below, that could have a significant effect on the evaluation of assets, financial standing and financial result but had not been recognized in the interim condensed consolidated financial statements for the period of 6 months ended 30 June 2020:

- On 1 July 2020, the Extraordinary Shareholder Meeting of JSW SHIPPING adopted a resolution to dissolve the company and open its liquidation procedure as of 1 July 2020. The JSW Management Board and Supervisory Board gave consent to the process of dissolution and liquidation of JSW SHIPPING.
- On 12 August 2020, the JSW KOKS subsidiary signed a financing agreement for a preferential loan of PLN 34.2 million with the Voivodship Environmental Protection and Water Management Fund in Katowice. The loan will be granted under the horizontal public aid program for environmental purposes. Its purpose is to provide supplemental financing of the task entitled "Construction of a power unit in the Radlin Coking Plant". According to the agreement, the loan will be secured with a mortgage on properties in the amount of PLN 42.1 million and an assignment of an insurance policy.

- On 18 August 2020, JSW signed Annex 1 to the Financing Agreement with the Consortium of Financing Institutions, which, among others, reduced the required Cash Buffer balance down to PLN 760.0 million and increased the permitted indebtedness limits. The Annex will come into force after all the conditions precedent are fulfilled.

11. MANAGEMENT BOARD'S REPRESENTATIONS AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

On reliability of the preparation process of the interim condensed consolidated financial statements

The Management Board of JSW hereby represents that, according to its best knowledge, these semi-annual condensed consolidated financial statements and the comparative data have been prepared in compliance with the applicable accounting principles and they are a true, accurate and clear presentation of the assets and financial position and the financial result of Jastrzębska Spółka Węglowa S.A. Group.

The Management Board report on the activity of the Jastrzębska Spółka Węglowa S.A. Group contains a true presentation of developments, achievements and the position of the Jastrzębska Spółka Węglowa S.A. Group, including a description of key threats and risks.

These interim condensed consolidated financial statements for the 6 months ended 30 June 2020 were approved for publication and signed by the JSW Management Board on 20 August 2020.

Jastrzębie-Zdrój, 20 August 2020

Signature of the person responsible for preparing the financial statements:

Adam Mańka – Department Director, Chief Accountant

SIGNATURES OF JSW MANAGEMENT BOARD MEMBERS

Włodzimierz Hereźniak	President of the Management Board	
Artur Dyczko	Vice-President of the Management Board	
Tomasz Duda	Vice-President of the Management Board	
Artur Wojtków	Vice-President of the Management Board	
Radosław Załoziński	Vice-President of the Management Board	

The notes to these interim condensed consolidated financial statements form an integral part hereof.